

Auditor's Annual Report on Wirral Borough Council

2023/24

February 2025



Contents



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

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



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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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Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2023/24 is the fourth year that these arrangements have been in place.

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. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below. The NAO has consulted and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year (30 November) and for the audited body to publish the Report thereafter. This new requirements will be introduced from November 2025. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible and are bringing forward our 2024 reporting in advance of the Code change.

Criteria	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements	2022/23 Auditor judgement on arrangements	Direction of travel
Financial sustainability	We established there was a risk the Council has not made sufficient progress in increasing the resilience of its reserve position, relative to the financial challenges it now faces.	R Two significant weaknesses identified, one statutory recommendation and one key recommendations made. Additionally, four improvement recommendations identified in this area as well.	R One significant weaknesses identified, and one key recommendations made. Additionally, two improvement recommendations identified in this area as well.	↓
Governance	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, but three improvement recommendations made.	A No significant weaknesses in arrangements identified, but two improvement recommendations made.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified.	R One significant weaknesses identified, and one key recommendations made. Additionally, five improvement recommendations identified in this area as well.	A No significant weaknesses in arrangements identified, but four improvement recommendations made.	↓

- 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 recommendations made.

Executive summary (continued)



Financial sustainability

The local government sector is operating with a significant degree of financial uncertainty. Wirral Borough Council (the Council), like others in the sector, is faced with substantial financial challenges. Our Auditors Annual Report for 2022/23 included a key recommendation which referenced the continued level of financial stress the Council was facing. However, these financial challenges persist, and the Council has reported a £10.7m directorate overspend within its financial outturn report for 2023/24, (which was balanced by the use of reserves, contingency funds and Flexible Use of Capital Receipts) and is forecasting a significant adverse budget variance for 2024/25. The Council understands the financial challenges it faces, is transparent with regards to these issues within its financial reporting and has taken several key steps to contain budget overspends. But the scale of the financial challenges the Council is currently managing, combined with a low level of reserves, creates a significant risk to the overall financial sustainability of the Council in the short to medium term, and due to the significance of this matter we have raised a statutory recommendation. See pages 6 to 8 for more details.

The Council's Dedicated Schools Grant (DSG) deficit is forecast to increase to £23.8m by 31 March 2025, and is forecast to continue to rise even further in the medium term, which creates additional financial risk to the Council. Due to the significance of this matter, we have raised a key recommendation. See page 9 for more details. Additionally, we have raised four improvement recommendations. See pages 32 to 35 for more details.



Governance

The Council had arrangements to support its control environment during the reporting period, evidenced by its risk management processes (refreshed during 2023/24), the activities of Internal Audit, the Council's proactive counter fraud measures and the activities of the Audit and Risk Management Committee. We have found no significant weaknesses in the Council's governance arrangements. However, we have identified areas where the Council could improve arrangements and as such, have raised three improvement recommendations. See pages 44 to 46 for more details.



Improving economy, efficiency and effectiveness

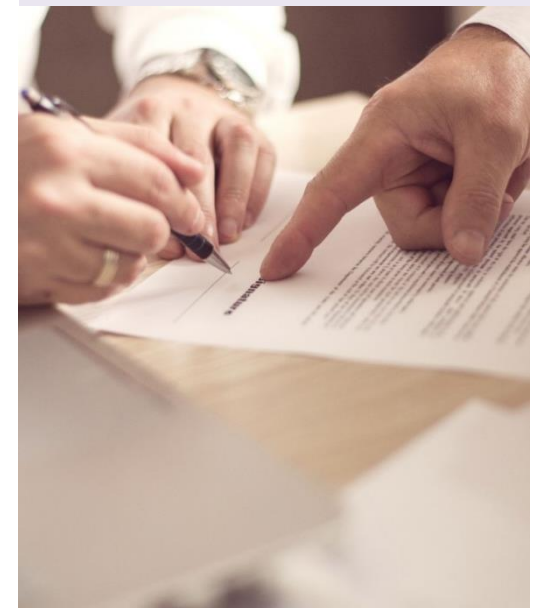
During 2023/24 the Council refreshed and reviewed its strategic planning with the adoption of a new Council Plan 2023 – 2027 which will be supported by a new performance management framework and enhanced oversight arrangements. The Council is open to learning from others to shape delivery and drive performance as evidenced by the activities of the Wirral Intelligence Service. Additionally, the Council, during 2023/24, has acted to positively develop and improve procurement practices, as evidenced by the steep decline in contract exceptions.

The Council, and its partners, failed to demonstrate sufficient progress during 2023/24, in improving special educational needs and disabilities (SEND) services to residents following an earlier external inspection. As a result, the Department of Education have issued an improvement notice to the Council. Additionally, we have established, during 2023/24 the Council didn't regularly provide performance data relating to SEND services / SEND improvement plan to those charged with governance. Due to the significance of these matters, we have raised a key recommendation. See pages 10 and 14 for more details. Additionally, we have raised five improvement recommendations. See pages 58 to 62 for more details.



Financial Statements opinion

We issued an unqualified audit opinion on the Council's financial statements for 2023/24 on 28 February 2025



Use of auditor's powers

We bring the following matters to your attention:

	2023/24
<p>Statutory recommendations</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make recommendations to the audited body which need to be considered by the body and responded to publicly.</p>	<p>We have made a statutory recommendation under Schedule 7 of the Local Audit and Accountability Act 2014. Please see pages 6 to 8.</p>
<p>Public Interest Report</p> <p>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.</p>	<p>We did not issue a public interest report.</p>
<p>Application to the Court</p> <p>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.</p>	<p>We did not make an application to the Court.</p>
<p>Advisory notice</p> <p>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:</p> <ul style="list-style-type: none"> • 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. 	<p>We did not issue any advisory notices.</p>
<p>Judicial review</p> <p>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.</p>	<p>We did not make an application for judicial review.</p>

Statutory recommendation

Statutory Recommendation 1 The Council is in an extremely challenging financial situation with significant financial pressures creating budget overspends combined with low levels of reserves. There is a risk that the Council will need exceptional financial support to balance the financial position in 2024/25 and to set a balanced budget in 2025/26. We recommend the Council take immediate and effective action to manage the risk and this should include:

- Identifying additional savings and efficiencies to mitigate forecast overspends for 2024/25, especially in consideration of the Council's low level of level of reserves and the unfunded budget gap within the Council MTFS.
- Ensuring the Council has the necessary organisational grip to progress the Council's planned transformation programme at scale and pace to identify budget savings and wider efficiencies.
- Satisfying itself that social care services have the required focus, skills and capacity to ensure efficiency of delivery.
- Reviewing the robustness and relevance of performance reports, recently introduced and planned to be introduced, to ensure these are adequate in supporting the Council to respond to the serious financial challenges it faces.
- Reviewing the sufficiency of finance team resources to ensure the necessary capacity is in place to support the organisational response to the critical financial position.
- Ensuring that member oversight of the Council's action to address its financial challenges is optimal and reflects the significance of the situation.

Identified significant weakness in arrangements

The Council has a significant budget gap (£26.6m) within the MTFS 2024/25 – 2028/29. Council general fund reserves are of a level that offers limited contingency, and the Council is also forecasting a significant adverse variance for 2024/25. These factors create significant financial risk to the Council.

Summary findings

The MTFS 2024/25 to 2028/29, identifies a cumulative deficit of £26.6m or 7% of the 24/25 budget. The Council does not have sufficient unallocated reserves to manage this budget gap. A budget overspend of £21.6m is currently forecast in 2024/25. This forecast level of overspend could reduce reserves levels further and places the Council in a critical financial position.

Criteria impacted by the significant weakness



Financial sustainability

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements. Due to the significance of the financial position, we have elevated this assessment to require a statutory recommendation.

The range of recommendations that external auditors can make is explained in Appendix B.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit and Risk Management Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Statutory recommendation

Statutory Recommendation (continued)

It is acknowledged that the Council faces a significant financial challenge and that sustainable savings proposals are urgently required to manage the position, which exists against the backdrop of increased demand and costs for social care services, compounded by the previous significant reductions in Government funding and uncertainty around the future financial settlements.

Management comments

The Council has implemented a number of measures in-year to mitigate the pressures that have been identified. These measures have been insufficient to address the increasing demand, particularly within Adult Social Care. The Council has approached the Ministry of Housing, Communities & Local Government (MHCLG) for Exceptional Financial Support for the 2024/25 financial year to protect the remaining reserves that the Council holds. The Council is in the process of developing a Budget Recovery action plan as part of this work which will be reflected in a refreshed Medium Term Financial Plan (MTFP). The Council recognises that significant deliverable cost reductions need to be identified and approved for the Council to meet its statutory obligation to set a legal and balanced budget.

There is a growing disparity between the resources available to local government and the demand pressures that the sector faces. The growing demand for social care for both Adults and Children's services cannot be sustained over the MTFP period without additional funding, the long-awaited review of local authority funding is of paramount importance in this respect.

The difference between the pressures facing the Council in 2025/26 and the available resources will require difficult decisions to be made around the level of support that can be provided and a continued focus on increasing efficiency and reducing costs. It will require the organisation to shrink overall in terms of the number of established posts and a reorganisation of how some services are provided. Within the context set out above, Directorates have been asked to prepare a set of cost cutting proposals, which must give consideration to all aspects of the organisation's operations, which will be discussed with elected Members prior to formal presentation of budget setting proposals.

To support the active pursuit of delivering savings and efficiencies, CIPFA have been commissioned to deliver a rapid review of the Council's 2024/25 and 2025/26 budget positions; the aim being to supplement current finance team resources in the short term to identify potential, additional, savings and efficiency opportunities. In addition to, and building upon, budget review activities, the CIPFA commission is also undertaking deep-dive activity in respect of social care services, taking account of benchmarking, commissioning, best practice, savings and growth assumptions. Systems, processes, structures and behaviour will be reviewed to determine barriers to improvement that may exist in order that recommendations for change can be made.

Recruiting the right people is crucial in delivering the Finance service the organisation needs. This has proved challenging for a number of junior posts within the function recently. Proactive recruitment activity, which incorporates external recruitment agency support, has been and continues to be undertaken to attract suitable candidates that have appropriate knowledge, skills and experience to enable them to have an impact.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit and Risk Management Committee to monitor progress of implementation to gain assurance over the arrangements in place.

The range of recommendations that external auditors can make is explained in Appendix B.

Statutory recommendation

Statutory Recommendation (continued)

The Council's Transformation Portfolio (Change Programme) was approved by Policy & Resources Committee in March 2024 and since then has been further refined to:

Management comments

- Transform the Council's digital and data capability to modernise and streamline business processes,
- Streamline back-office functions to ensure they are as efficient and effective as possible,
- Reduce the Council's estate to deliver value for money and generate capital receipts.
- Manage demand for statutory services particularly Adult & Children's social care,
- Modernises the Council's leisure and cultural services offer,

Social Care services are under immense pressure, particularly through the continuing demand for Adult Social Care Services. These services have experienced a significant and sustained increase since the Covid pandemic that currently shows no signs of abating. The Directorate understands the cost drivers and is working with partners across the whole social care and health system to effectively manage the demand for services.

The Children's services cost pressures are a product of both demand and pricing within the sector. Improvements have been made in relation to the number of Looked After Children and the SEND improvement programme that has been implemented.

The Change Programme is the Council's vehicle for developing and implementing the required projects that support the delivery of the Medium-Term Financial Plan (MTFP). A new Benefit Management Framework has been developed to ensure all programme and project benefits demonstrate how they contribute to delivering the MTFP. All new business case proposals require benefits to be clearly defined, with clear ownership and benefit realisation plans. There is a comprehensive Programme and Project Management approach to maintain effective oversight of schedule, budget, risk and overall delivery confidence across all Change Programme activity. Monitoring is monthly by exception with regular reporting quarterly the governance of which includes Chief Officer and Elected Member oversight.

A Council Plan Performance Management Framework (PMF) was developed with Elected Members in early 2024 and this has now been introduced in 2025/26 with quarterly reporting through relevant Committees. In addition to this, detailed operational performance reports are provided to committees to enable them to maintain oversight of operational delivery. Progress has been made in financial reporting out of the new Enterprise Resource Planning (ERP) system and improved budget planning and forecasting has been implemented in-year.

The Council has implemented changes for the 2024/25 financial year to improve Member oversight of all aspects of the budget process. All Policy Committees have regular Budget Oversight Panels focussed on both the in-year challenges and the future savings requirements. These panels ensure that Members receive appropriately detailed information to enable effective decision making. The Policy and Resources Committee is supplemented by the Finance Working Group which receives detailed briefings on all key financial matters, budget monitoring. These groups provide an appropriate forum to ensure are fully briefed around material financial issues and the detailed actions that are being taken to address the financial challenges.

The range of recommendations that external auditors can make is explained in Appendix B.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit and Risk Management Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendations

Key Recommendation 1

We recommend the Council to place a significant and urgent focus on developing and implementing interventions which will support the management and mitigation of the Dedicated Schools Grant (DSG) deficit. Additionally, the financial risks relating to the DSG deficit should be added to the Council's Corporate Risk Register.

Identified significant weakness in arrangements

The level of the Council's DSG deficit, and rate of increase, creates significant financial risk to the Council. The Council needs to address these matters with urgency considering the statutory override is scheduled to end 31 March 2026.

Summary findings

The Council DSG deficit is substantial and increasing.

Criteria impacted by the significant weakness



Financial sustainability

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements.

Management comments

As part of the Delivering Better Value in SEND (DBV) programme that was completed between June 2023 and February 2024, the LA submitted a full DSG management plan as part of this process. As part of the funding released for DBV programme, the DfE had to be satisfied the DSG management plan was effective for the funding to be released, which it was. The current financial path the LA is tracking is following the expected outturns that was included in the DBV programme.

As part of the DBV programme 5 different workstreams have been developed, all are on track to achieve the outcomes that were outlined within the DBV business case that was submitted. In brief, the local partnership is embedding through the first three workstreams. Schools and partners have been able to access training to support inclusive practice and approaches to supporting young people with SEND in a mainstream environment. As part of workstream 4 the local area has been able to develop 170 places in special school and resourced provision places in September 2024 to support the needs of young people within maintained schools and it is expected a further 400 resourced provision over the next 4 years – this approach reduces the reliance on more expensive independent provision which places the biggest pressure the DSG budget.

Recent communication from the DfE commented that we are doing everything that we can and everything that is expected as part of the DBV programme. Regular DBV update reports are presented to Schools Forum, the latest being on 1st October 2024 which included a DBV Delivery Plan and Risk Register.

The range of recommendations that external auditors can make is explained in Appendix B.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit and Risk Management Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendations

Key Recommendation 2

We recommend the Council needs to satisfy itself that it has the necessary organisational transformational capacity, skills and resources to ensure that the Local Area SEND Improvement Plan can be delivered in accordance with DfE requirements and is sufficient to drive sustainable improvement in SEND service provision and to mitigate associated SEND service delivery risks.

We also recommend the Council ensures that sufficient performance data is regularly provided to those charged with governance in relation to the Local Area SEND Improvement Plan to enable members to effectively track level of improvement and to support effective governance of this key area of service delivery.

Identified significant weakness in arrangements

During 2023/24 the Council, and its partners, failed to demonstrate sufficient progress in improving special educational needs and disabilities (SEND) services.

The Council has also been made aware of specific commissioned service delivery issues. Also, those charged with governance were provided with limited performance information reports details SEND service performance/improvement.

Summary findings

The Department of Education have issued an improvement notice to the Council as a result of poor progress against a significant concern identified in a 2021 external inspections of local area SEND services. The Council has also been required to respond to commissioned SEND service delivery matters which are now subject to ongoing external investigations/reviews. The implications of any relevant findings from these formal investigations and reviews will be considered as part of our work once published.

During 2023/24 the Council didn't regularly provide performance data relating to SEND services / SEND improvement plan to those charged with governance.

Criteria impacted by the significant weakness



Improving economy, efficiency and effectiveness

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements.

The range of recommendations that external auditors can make is explained in Appendix B.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit and Risk Management Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendations

Key Recommendation 2 (continued)

The Council has created and recruited to an Assistant Director for SEND post to provide the necessary leadership capacity.

Management comments

Project Management and Project Officer capacity was allocated in April 2024 by the corporate programme office. Transformational capacity linked to the Delivering Better Value in SEND programme has been aligned with the SEND Improvement Plan.

Revised governance arrangements are delivered through the Local Area SEND Partnership Board, chaired by the Council's Chief Executive with membership including the Leader of the Council, Deputy Leader of the Council in their capacity as Chair of the Health & Wellbeing Board, and the Lead Member for Children's Services.

The Children, Young People and Education Committee are receiving an update report on progress against the SEND Improvement Plan at all scheduled committee meetings.

The SEND Performance Management Framework has been revised and implemented from April 2024. In October 2024, following 6 cycles of the framework, Department for Education Advisors noted that progress made on performance report was sufficient to be moved to business-as-usual.

A 6-monthly review of the Improvement Notice took place with Department for Education and NHS England on 26th November 2024, where regulators confirmed they are satisfied with the arrangements in place for governance and that progress is being made across the Written Statement of Action areas.

The SEND Dashboard and Scorecards, which detail approximately 300 performance indicators are published on SENDLO, the local area's local offer website, thereby providing transparency for stakeholders and residents.

The range of recommendations that external auditors can make is explained in Appendix B.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit and Risk Management Committee to monitor progress of implementation to gain assurance over the arrangements in place.

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

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

Councils report on their arrangements, and the effectiveness of these arrangements as part of their Annual Governance Statement.

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

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



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council and Committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit and Risk Management Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 14 to 62.

The current LG 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 £600 million 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 Chancellor's Budget on 30 October 2024 confirmed the government's plans for greater devolution in England and confirmed a real terms increase in core spending power to local government for 2025/26 of 3.2%. Including an increase in grant of £1.3 billion. The Chancellor also announced £1 billion additional funding for SEND, an additional £2.3 billion for schools, and that councils will be able to use the full amount of capital receipts from right to buy sales. The detail of what the Chancellor's announcement means for individual councils will become clearer when their provisional finance settlement for 2025/26 is confirmed by government in December 2024.

Financial sustainability



We considered how the Council:

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

Outturn 2023/24

The Council's final Revenue Outturn Report for 2023/24 was considered by Policy and Resources on 17 July 2024. The report provided context to the challenging economic environment within which the Council was operating driven by inflationary pressures, high interest rates and growth within demand led services all of which placed pressures on the Council's finances.

The Council's final general fund outturn was a directorate overspend of £10.7m representing 3% of the Council's net revenue budget of £368.6m.

The most significant directorate budget variances included:

£6.1m overspend - Neighbourhood services.

The overspends were across several individual operational areas that had been impacted by post Covid-19 disruption to key income streams and changing customer behaviours, particularly relating to theatre and hospitality, car parking and sports and recreation. Further overspends in this service related to significant pressures within community transport, lower than budgeted enforcement income and higher than expected fleet and repairs and maintenance costs. The report detailed several ongoing and intended actions within the service to mitigate ongoing adverse variances which demonstrated the Council response to significant overspends in this service area.

£1.9m net overspend – Children, Families and Education.

Overspends were mainly due to higher than budgeted residential placement costs for children looked after (in care) resulting in an overspend of £4.5m. Despite a decrease in the overall numbers of children in care during 2023/24 there has been a significant increase in children placed in residential care settings leading to increased and unbudgeted costs. This could indicate a lack of alternative provision available to the Council such as foster care placements which is generally more cost effective. As part of our work, we have established the Council does have a current Children Looked After and Care Leavers Strategy 2023-2026

(sufficiency strategy), which was agreed by Children, Young People and Education Committee in November 2023. Within this strategy it states the Council's ambition is to reduce numbers of children in residential care through targeted recruitment of specialist foster carers and the use of regulated supported accommodation.

Despite the Council's will to increase foster care provision there has been a significant increase in residential care placement, and this has led to a significant budgetary impact which leads to an improvement recommendation. We recommend the Council provides the Children, Young People and Education Committee with an update in the respect of the 2024/25 placement costs for children looked after and the action being taken by the Council to mitigate the further overspends in this area including increasing the availability of fostering placements.

Please refer to improvement recommendation 1 on page 32.

Increasing demand and complexity in special education needs and disabilities (SEND) resulted in higher than budgeted costs (£1.4m). Matters relating to SEND are covered in more detail within the improving economy, efficiency and effectiveness section of this report and included within a key recommendation on page 8.

The pressures identified above were partly offset by underspends in the service (£2.3m) together with the one-off use of reserves, including £1.5m from the social care reserve which is now exhausted. Council reserves are covered in more detail later in this report.

£1.8m overspend – Finance.

The overspends related to one off issues that included the repayment of the unused element of an energy grant received in 2022/23. The unspent balance (£1.1m) was required to be repaid to central government in 2023/24. There was also a one-off adjustment (£0.8m) relating to a historical error in respect of discretionary Council tax discounts which had now been fully corrected. Both overspends related to the Revenue and Benefits service, and we have established the Council is currently reviewing this specific service area. More information is referenced within the improving economy, efficiency and effectiveness section of this report.

Financial sustainability (continued)

Outturn 2023/24 – Continued

£1.2m overspend - Adult Care & Health.

The service was impacted during 2023/24 by higher demand and associated complexity of care placements/care packages in respect of hospital discharges leading to higher than budgeted costs and slippage in the service savings delivery target (£2.4m). Adult social care central services and in-house service delivery were impacted by higher than budgeted staff and utility costs (£0.9m) with additional budget pressure (£0.3m) resulting from higher numbers of residents requiring assistive technology and wider equipment needs. Service overspends were off-set by a favourable variance of £2.4m relating to Mental Health and Disability Services resulting from contract savings.

The Council's overall directorate net overspend of £10.7m was offset by the Council utilising a central contingency budget (£5.3m), savings from lower than budgeted energy costs (£2.5m), due to rapidly fluctuating energy market conditions, and flexible use of capital receipts (£2.9m) used to fund transformational activity.

The Council's contingency budget was established as part of the 2023/24 budget to help mitigate against pressures arising from unanticipated fluctuations in spending and income, growing inflationary pressures, slippage on savings delivery and represents a reasonable risk mitigation strategy considering the uncertain economic environment within which the budget was set.

The final Revenue Outturn Report for 2023/24 also set out clearly the progress made against the agreed savings programme for 2023/24 with the report highlighting 79% of the total savings target had been delivered as planned.

Additionally, the report set out the Council reserves and balances which demonstrated that earmarked reserves had significantly reduced from an opening balance of £72.2m, as of 1 April 2023, to a closing balance of £55.5m, as of 31 March 2024. This substantial erosion of reserves, together with a net overspend of £10.7m, creates risk to the financial sustainability of the Council. We examine the level of Council reserves in greater detail later within this report and Council reserves are referenced with a statutory recommendation on page 6 of this report.

We note the Council's outturn position for 2023/24 represented a significant deterioration from the quarter three revenue forecast considered by the Policy and Resources Committee on 13 February 2024, at this time the directorate net overspend was forecast to be £7.9m.

The worsening financial forecast, between the quarter 3 forecast and the final outturn, was attributable to Neighbourhoods, Children, Families and Education and Adult Care and Health which indicates these services were unable to forecast service budgets during 2023/24 to a high degree of accuracy.

We have been informed by the Council that the forecasting of social care placement were particularly challenging in 2023/24, and we note senior roles within all three services did change in 2023/24, which could have been a contributing factor.

However, accurate budget forecasting is an essential requirement which supports the Council in rapidly responding to financial variance so an associated improvement recommendation is included in the financial governance section of this report.

Budget 2024/25

Full Council, on 26 February 2024, considered the 2024/25 Budget Report and Medium-Term Financial Strategy (MTFS) 2024/25 – 2028/29 with the report recommending a revenue budget of £399.6m for 2024/25 representing a rise of 8% from the prior year.

The 2024/25 budget report set out the funding challenges faced by the Council, and others in the sector, and stated the budget had been formed, against a backdrop of high inflation and growing demand for Council services particularly within social care.

The 2024/25 Local Government Finance Settlement, confirmed on 5 February 2024, was clearly set out within the report. The Council explained the settlement covered one year, and the uncertainty around the future level of government funding remained high. The nature of short-term government funding settlements and the postponement of local government finance reform can hinder effective medium term financial planning, by the Council, and others within the sector.

The budget report set out each individual funding stream the Council would receive in 2024/25 and explained its main source of income is from business rates and council tax.

In 2024/25 the Council estimated it would receive £143.4m in business rates and £181.2 in council tax representing 80% of total funding received. This demonstrates the inherent reliance the Council, and others in the sector, have on income derived from local taxation. These income streams can be impacted from wider economic variance which add further complexity to Councils financial planning.

Financial sustainability (continued)

Budget 2024/25 (continued)

The 2024/25 budget report detailed that the Council would receive several social care specific grants totalling £41.9m, an increase of £9.8m from the prior year, in part representative of the government announcement in January 2024 to provide an extra £500m in national funding for social care. The Council would also receive an adult social care market sustainability and improvement fund of grant of £7.8m and a hospital discharge fund of £4.5m. The report also set out that the Council would receive a better care fund grant of £19.2m (assumed), a services grant of £0.5m and a new homes bonus of £0.1m.

The components of the local government finance settlement for 2024/25 were clearly set out by the Council which supports transparency and demonstrates good practice.

The report set out the proposed budget decisions in relation to council tax. As in the prior year the Council was permitted to levy a maximum annual council tax increase of 4.99% for a band D property comprising of a 2.99% core increase and a 2% adult social care precept, before a referendum, on such increases would be required. The Council's 2024/25 budget report proposed an annual council tax increase of 4.99% for a band D property comprising of a 2.99% core increase and a 2% adult social care precept which would result in £8.6m of additional income when compared with the prior year. The Council explained such maximum permitted increases have been assumed within the MTFS as otherwise the Council's ability to sustain statutory services would be at risk and would further challenge the Council's financial sustainability over the medium term, underscoring the Council's reliance on this central funding stream.

The report itemised growth items totalling £43.4m, that had been built into the 2024/25 budget, of which 53% (£23m) related to social care alone. Growth in social care was predominately driven by inflation and rising demand with the overall scale of the growth demonstrating the financial pressure emanating from these demand-led statutory services.

Savings proposals of £12.4m for 2024/25 were itemised by directorate and clearly set out with the report explaining that despite the identification of savings a budget gap of £26.6m remained across the MTFS indicative of the financial pressures being managed by the Council.

The report also included a full list of the Council's earmarked reserves and balances with the report flagging that the Council had used significant contributions from reserves to support service delivery in prior years and as a result, the level of reserves has significantly reduced. Matters relating to the MTFS budget gap, and the low level of Council reserves is referenced in greater detail later within this report.

The Council's 2024/25 Budget Report included reference to public budget consultation conducted during January 2024 and a summary of consultation responses was included within the suite of budget papers which supports oversight and transparency.

The Dedicated Schools Grant (DSG) and the Schools Budget for 2024/25 was also set out within the 2024/25 budget report. The report explained the Council was currently managing budgetary risk in relation to the DSG mainly due to increases in cost resulting from rises in the number of children with SEND. Due to the significance of these matters, we have examined DSG funding and spending in a specific section later in this report.

The 2024/25 budget report proposed a balanced budget, whilst clearly identifying the ongoing impact of inflationary and service demand pressures, and the report provided a transparent summary of the wider financial risks the Council was managing.

2024/25 Quarter One and Two Revenue Forecast

The 2024/25 budget monitoring report as at Quarter 1 was considered by the Policy and Resources Committee on 17 July 2024. The report set out the revenue forecast for 2024/25, as of the 30 June 2024, which was a directorate overspend of £12.5m equal to 3.1% of the 2024/25 approved budget of £399.6m.

The report explained the majority of the overspend resulted from increased demand and cost for social care services and these factors would not easily be resolved (considering the nature of these demand led, statutory services) and the level of overspend was a serious financial position for the Council that needed to be mitigated in-year through all available measures. Major forecast variances included:

£7.6m net overspend – Children, Families and Education.

The main overspend (£5.8m) related to children looked after placement cost. As we have already identified in this report this area was also overspent by £4.5m in 2023/24.

The budget monitoring report explained the 2024/25 budget had been predicated on the aspiration that more children would be accommodated through foster placements as opposed to residential care, but this had not yet been achieved and there had been a 24% increase in residential placements since April 2023 despite falling numbers of children in care. The Council currently funds 92 children in a residential placement at an average weekly cost of £4,659, which highlights the significance of the revenue implications of these placements on the Council. We have already raised an improvement recommendation in relation to placement costs for children on page 14 of this report.

Financial sustainability (continued)

2024/25 Revenue Forecast (continued)

Children, Families and Education also reported significant overspend (£3.2m) in relation to SEND demand in areas of schools' transport and education psychological services.

The Council continues to face acute challenges in relation to the adequacy of SEND service performance, whilst at the same time trying to mitigate budgetary overspends. Please see more details included within a key recommendation on page 9.

£2.5m overspend - Adult Care & Health.

The forecast reflected the continued pressure within residential and nursing care home placements, older people and mental health services due to increased demand and rising complexity of care.

£1.8m overspend – Finance.

Overspends in this area were resultant from the under recovery of court cost income combined with higher than budget ICT costs.

The 2024/25 budget monitoring report as at Quarter 1 provided a red, amber, green (RAG) rating for all budgeted savings which identified that 86% of the £12.4m of savings within the 2024/25 budget where either delivered or on track to be delivered. However, planned savings of £1.4m in Children, Families and Education in relation to reducing high-cost residential care and home to school transport were unlikely to be achieved which correlates with our wider findings within this report.

The Council's overall directorate net overspend of £12.5m is planned to be partially mitigated by the Council utilising a central contingency budget £6m, (the Council has informed us that this contingency budget is now exhausted), and the flexible use of capital receipts (£2.5m) used to fund transformation-related revenue expenditure. This results in a net overspend of £4m, which in the absence of alternatives would need to be funded from historically depleted Council reserves.

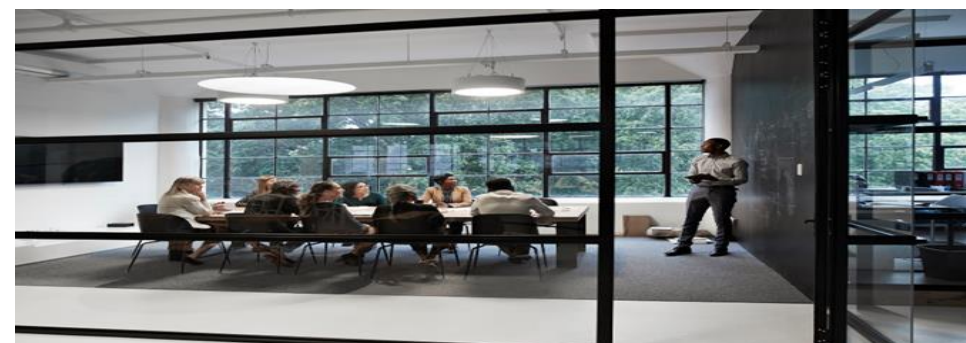
The budget monitoring report unambiguously explained that the level of spending was not sustainable, and the Council needed to urgently identify and agree remedial action to address the situation with the report stating the Council was currently forecasting a critical financial position and considering the low level of Council reserves any further deterioration of this position during the year may necessitate the requirement to issue a Section 114 notice. Such a notice is explained later in this report.

The 2024/25 budget monitoring report as at Quarter 2 was considered by the Policy and Resources Committee on 6 November 2024. The report set out the revenue forecast for 2024/25, as of the 30 September 2024, which was a directorate overspend of £21.6m equal to 5.4% of the 2024/25 approved budget of £399.6m and represented a deteriorating position from the previous forecast. Significant forecast overspend areas being Children, Families and Education (£9.9m), Adult Care & Health (£6.5m), Finance (£2.8m) and Neighbourhoods Services (£2.3m).

The 2024/25 budget monitoring report explained that the forecast 'represented a critical financial position for the Council. Considering the present levels of earmarked reserves and general fund balances, any further deterioration of this position during the year will necessitate action from the Section 151 Officer. Specifically, the requirement to issue a Section 114 notice. This notice is a mandatory obligation for a Section 151 Officer if the budget is, or is likely to become, unbalanced.'

The Council's financial planning is being acutely impacted by social care demand particularly within Children, Families and Education. We have already identified in this report that the Council has attempted to address rising social care costs within its annual budgeting process by the inclusion of £23m of social care budget growth in 2024/25.

However, the most recent forecast shows social care budgets will be still significantly overspent by £16.4m in 2024/25. This level of overspending, the low level of Council reserves and the unbridged budget gap within the Council's MTFs creates significant risk to the financial suitability of the Council in the short to medium term and this is explained in detail within the next section of this report.



Financial sustainability (continued)

Medium Term Financial Strategy 2024/25 - 2028/29 and Savings

On 26 February 2024, Full Council considered the 2024/25 Budget Report which included the Council's Medium-Term Financial Strategy (MTFS) that the Council stated was informed by a series of 'Guiding Principles':

- Overarching principle - All investment and savings decisions will be aligned to the priorities within the Council Plan and affordability criteria.
- Fees & Charges will be reviewed annually and adjusted for inflation, regulatory guidance, and competitiveness. When setting charges, the impact on vulnerable groups will be considered.
- Capital decisions will be based upon strong business cases, taking account of invest to save principles where appropriate. Whole life capital financing costs impacting the net revenue position of the Council will be fully considered and reflected in the Medium-Term Financial Plan (MTFP).
- Service level spend will be benchmarked with suitable peer groups and regularly reviewed to ensure the principle of an efficient Council is being achieved.
- The Council will maximise the opportunities from automation and a policy of 'Digital First' in service delivery.
- Service reviews will be undertaken Council wide within the timeframe of the MTFS. This will ensure that operating models, organisational design and costs are subject to regular reviews and adjustment.
- Service development, savings, and investment will be brought forward based on business cases that demonstrate alignment to the Corporate Plan, feasibility, deliverability and value for money.
- The Council will consult with stakeholders across the borough in forming budget proposals.
- The Council will review alternate delivery models and seek joint working and management initiatives with regional and other partners to align to the Council Plan.
- The Council will continually review its Earmarked Reserves for appropriateness and purpose. Unearmarked reserves will be brought to a level of 5% of net expenditure within the term of the MTFP.
- Given the challenging financial position of the Council and the need to maintain key statutory services. The Council will seek to maximise receipts from all funding streams, including council tax over the period of the MTFS.

The Council's adoption of 'Guiding Principles' helped clearly set out, and convey within budget papers, the Council's approach to financial planning which enhances transparency and is reasonable practice.

The MTFS 2024/25 to 2028/29 included an assessment of the national and local government economic landscape and its specific impact on the Council. The MTFS set out the impact of fluctuating inflation on the Council budget setting process and stated that the Council continued to face a challenging financial position due to diminishing local government funding (and the short-term nature of local government funding settlements), ongoing growth in demand led serviced and post Covid-19 disruption to key income streams.

The Council's MTFS 2024/25 - 2028/29 did not detail different financial scenarios in relation to levels of central government funding for local authorities or other elements of financial variance such as varying rates of inflation, service demand or local taxation decisions. However, we note sensitivity analysis was used in a 2024/25 budget update report considered by Policy and Resources Committee on 21 November 2023.

The local government sector is operating with a significant degree of financial uncertainty driven by short term local finance settlements, absence of local government finance reform, and wider economic drivers such as inflation and pressure from demand led services. Scenario planning can be a beneficial tool in supporting financial planning, can enhance transparency and oversight to the budget setting process.

Although not raised as an improvement recommendation the Council could consider introducing the outcomes of wider financial scenario planning as part of its budget setting papers. Assessing the reasonable best, worst and optimum financial scenarios when setting the Council's budget and medium-term financial plans would enhance the Council's strategic financial planning and support the Council's financial sustainability, and flexibility, to accommodate a range of potential scenarios.



Financial sustainability (continued)

Medium Term Financial Strategy 2024/25 - 2028/29 and Savings (continued)

The Council's MTFS 2024/25 - 2028/29 detailed an unfunded budget gap (after savings) as identified in Figure 1 below:

	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Budget Gap (£m)	0.0	3.1	8.6	10.9	4.0	26.6

Figure 1 budget gap within MTFS 2024/25 – 2028/29 identifies, a budget gap of £26.6m, which represents 6.7 % of the 2024/25 net revenue budget.

The Council's general fund unallocated reserves are forecast to be £13.1m as of 31 March 2025, therefore the Council does not have sufficient general fund unallocated reserves to support the budget pressure identified in the MTFS 2024/25 to 2028/29.

The Council forecasts to also have £45.7m of earmarked reserves as of 31 March 2025 with the MTFS 2024/25 – 2028/29 report stating that the Council considers £10m of earmarked reserves could be repurposed to manage acute financial demand if required, however this, combined with unallocated reserves, still would not be sufficient to manage the budget gap identified over the plan period.

The MTFS 2024/25 to 2028/29 report states the Council is planning to re-build earmarked reserves and to set unallocated reserves at 5% of net expenditure by 2026/27 but the Council did not set out how this will be achieved.

The Council's overall low level of reserves, in the current economic environment, and the absence of an action plan to rebuild them to a sustainable level creates significant risk and is included in a wider statutory recommendation later in this section.

The level of the budget gap within the MTFS and the low level of reserves necessitates the Council to find savings and/or new income streams to remain financially sustainable.

The Council does have a track record of savings delivery. For the financial year 2023/24 the Council's final outturn stated savings of £22.4m were delivered, 79% of the total savings target, with a further 10% or £2.8m achieved through mitigation. The 2024/25 budget included a savings requirement £12.4m with a further £30.3m of savings identified for the period 2025/26. Even though the Council is proactively identifying future savings it continues to face acute challenges in the short to medium term.

As we have already set out in this report the Policy and Resources Committee considered the budget monitoring report as at Quarter 1 2024/25. The report detailed a forecast overspend of £12.5m and stated whilst this in-year position can potentially be managed by utilising one off funds such as contingency budgets, capital receipts and reserves, this level of spend is not sustainable going forward and the Council was currently forecasting a critical financial position.

The report also flags that the present levels of reserves means that if there was any further deterioration of the overspend position during 2024/25 it may necessitate the Section 151 officer (Director of Finance) to issue a Section 114 notice (Section 114(3) of the Local Government Finance Act 1988) to the Council. Councils are required by law to have balanced budgets. If a Council cannot find a way to finance their current or future budget, then a Section 114 notice must be issued. A Section 114 Notice restricts all new spending except for protecting vulnerable people, statutory services and pre-existing commitments. The Council would also need to approach the government to seek further intervention and support.

The Council is responding to this acute financial situation by the following activities:

- Enhanced financial reporting and monitoring by Policy and Resource Committee and Finance Sub Committee.
- Monthly Senior leadership Team meetings dedicated to budget matters.
- Monthly directorate action plan reports to monitor how overspends are being mitigated and controlled with oversight provided by the Finance Sub Committee.
- New social care interventions including further development of joint commissioning activities, introduction of cost control panels, development of a strategy to increase foster care provision, and home to school transport service changes.
- Commissioning task and finish group to address overspending in Leisure, Libraries and Highways and a review of the Housing Benefit service.
- Introducing a Vacancy Panel to limit external recruitment.
- Introduction of a refreshed Council change programme. On 20 March 2024 Policy and Resources Committee consider a report which explained the Council's Change Programme is the Council's vehicle for developing and implementing the required projects that support the delivery of the MTFS, and it had been reviewed and refreshed to ensure it directly supports the MTFS 2024/25 – 2028/29.

Financial sustainability (continued)

Medium Term Financial Strategy 2024/25 - 2028/29 and Savings (continued)

Despite this range of activity, the Council faces significant financial challenges in the short to medium term, due to the budget gap within the MTFs, low level of reserves, absence of a costed plan to build reserve levels back to a suitable level and a significant forecast budget overspend for 2024/25. These factors combine to present a significant weakness in the arrangements to support the financial sustainability of the Council in the short term and leads to a statutory recommendation.

The Council is in an extremely challenging financial situation with significant financial pressures creating budget overspends combined with low levels of reserves. There is a risk that the Council will need exceptional financial support to balance the financial position in 2024/25 and to set a balanced budget in 2005/26. We recommend the Council take immediate and effective action to manage the risk and this should include:

- Identifying additional savings and efficiencies to mitigate forecast overspends for 2024/25, especially in consideration of the Council's low level of level of reserves and the unfunded budget gap within the Council MTFs.
- Ensuring the Council has the necessary organisational grip to progress the Council's planned transformation programme at scale and pace to identify budget savings and wider efficiencies.
- Satisfying itself that social care services have the required focus, skills and capacity to ensure efficiency of delivery.
- Reviewing the robustness and relevance of performance reports, recently introduced and planned to be introduced, to ensure these are adequate in supporting the Council to respond to the serious financial challenges it faces.
- Reviewing the sufficiency of finance team resources to ensure the necessary capacity is in place to support the organisational response to the critical financial position.
- Ensuring that member oversight of the Council's action to address its financial challenges is optimal and reflects the significance of the situation.

Please refer to statutory recommendation 1 on pages 6 to 8.

Council Reserves

On 26 February 2024, full Council considered the 2024/25 Budget Report which included a report of the Director of Finance (Section 151 Officer) on the robustness of the adequacy of the Council's reserves in adherence to the requirement within Section 25 of the Local Government Act 2003. The report stated, *'It is the opinion of the Director of Finance (S151) that in their view the budget estimates are robust and satisfactory as required by the Local Government Act 2003; the level of reserves is at a minimum and will require replenishing.'*

The 2024/25 budget report forecast total general fund reserves, earmarked and unallocated, are forecast to be £58.87m as of 31 March 2025 and includes an unallocated general fund balance of £13.18m. The report explained that in previous years, the Council had used significant contributions from reserves to support service delivery and as a result, the level of reserves has significantly reduced. The Council's reducing reserves are highlighted as per Figure 2 below:

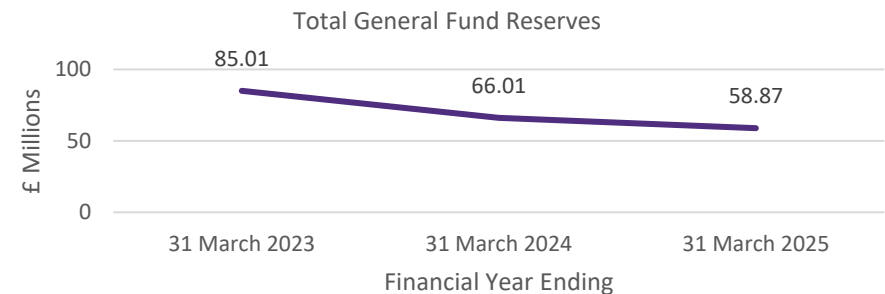


Figure 2 Total General Fund Reserves identifies that the Council's total general fund reserves have been reducing year on year since and are forecast to reduce to £58.87m by 31 March 2025, this ongoing erosion of reserves presents risk to the financial sustainability of the Council and aligns with our earlier findings that the Council's level of reserves are low and there is not in place a Council plan to build reserves back to a suitable level, with forecast overspends in 2024/25 adding further risk to reserve levels.

Financial sustainability (continued)

Council Reserves (continued)

The 2024/25 budget report recommended the Council unallocated reserves to be maintained at £13.18m. The Council's setting of a minimum level of general fund balance is adequate practice but the 2024/25 general fund balance is 3% of the net revenue budget which we consider is inadequate and offers limited resilience.

As part of our work, we have established that the 2023/24 budget, considered by full Council on 27 February 2023, included a commitment that by 2025/26 general fund balances will be increased and maintained at 5% of net revenue budget, however this is not forecast to be achieved within the Council's current financial planning.

We also note the Council's MTFS 2024/25 – 2028/29 was formed by a series of guiding principles including *'Unearmarked reserves will be brought to a level of 5% of net expenditure within the term of the MTFS.'* which indicates the Council's has now further deferred the timescale at which general fund balances will reach 5% of net revenue budget, however the Council did not state, within budget reports, how this would be funded or achieved during the MTFS period.

The sustainability of the Council's general fund reserves, in the absence of identified savings, has already been identified in a wider statutory recommendation on page 6.

Capital Programme

On 26 February 2024, full Council considered the Council's Capital Programme 2024/25 -2029/30 which explained the Council's capital programme had been formed in line with the guiding principles adopted by the Council in relation to its financial planning namely *'Capital decisions will be based upon strong business cases, taking account of invest to save principles where appropriate. Whole life capital financing costs impacting the net revenue position of the Council will be fully considered and reflected in the MTFS'*

The Capital Programme report also explained the 2024/25 budget process includes a review process for existing and new capital schemes. Existing capital schemes are reviewed with the intention of refinement and ensuring that they are meeting organisational objectives. New schemes are considered on an invest to save basis, meeting strategic goals and a full whole life costing financial appraisal. This ensures affordability, revenue consequences are fully considered, and that external borrowing is minimised. Finally, the budget report explained the Council has taken steps to review the capital programme to contribute to the balancing of the Budget in 2024/25. The Council's adoption of foundational financial planning principles in relation its capital programme and the regular review of existing and new capital projects including revenue impacts and affordability represents good practice.

The Council's 5-year Capital Programme 2024/25 to 2029/30 proposed Council capital expenditure of £221.2m over 5 years funded by grants (£166.8m), Council borrowing (£48m), capital receipts (£5.2m) and revenue contributions (£1.2m). All capital projects were listed, described and identified by directorate which increases transparency and is reasonable practice.

Total capital expenditure for 2024/25 was forecast at £92.6m, funded by a combination of grants (£62.9m), borrowing (£25.2m), capital receipts (£4.5m). Most of the capital expenditure (62%) was within the Regeneration and Place directorate to fund the Council's regeneration programme. The Council explained that it envisaged that the successful regeneration projects would deliver much needed housing and be a fundamental driver of economic growth, and that new income to the Council will be realised from new homes and new businesses in council tax and business rates receipts.

The Council's regeneration capital projects demonstrated direct alignment to the Council Plan 2023 – 2027 priority *'Deliver our ambitious regeneration programme through increased investment, jobs and new businesses throughout the borough.'* This alignment between the Council's Capital Strategy and its strategic Council Plan is good practice. Significant capital projects for 2024/25 included the Council's Town Deal programme £8.9m, Birkenhead waterfront programme £8m, School modernisation £6.7m and disabled facility grants £6.5m.

The revenue impacts of the Council's capital programme was clearly set out in the capital programme report. Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP). In prior years, the Council has made overpayments of MRP that are available to reduce the revenue charges in later years and the balance of these MRP overpayment were £13.2m as of 31 March 2024. The Council is drawing down on this MRP overpayment balance and in 2024/25 the Council's will utilise £2.6m to reduce its overall MRP for 2024/25 to an estimated £11.29m. The Council plans to continue to allocate £2.6m of MRP overpayment balances each year to 2029/30, at which time such balances will be exhausted. Further information relating to MRP was detailed with an Annual Minimum Revenue Provision Statement 2024/25 which formed an appendix to the Capital Financing Strategy report.

The Council's Capital Programme 2024/25 -2029/30 Report clearly set out the Council's capital programme aspirations, how the programme would be funded, the revenue impact of the programme and demonstrated interconnectivity to the Council wider strategic planning framework which is good practice.

Financial sustainability (continued)

Capital Programme (continued)



On 17 July 2024, the Policy and Resources Committee considered the Capital Outturn 2023/24 Report which stated capital expenditure for 2023/24 was £78.3m representing 81% of the revised capital budget of £97.1m 2023/24 which also assumed slippage of £24.9m. The level of spend against the revised budget represented reasonable performance.

We note the original capital programme for 2023/24 has an approved budget of £132.2m (as agreed in February 2023) the Council explained that during 2023/24 the Council has regularly reviewed the capital programme which resulted in schemes being deferred to future years along with the supporting funding and this had led to reduced borrowing costs in 2023/24. The Council review of its capital programme in relation to affordability is reflective of the overall financial pressure the Council is currently managing and demonstrates the Council is assessing potential efficiencies in both revenue and capital expenditure to support financial sustainability.

The Council's capital programme was subject to an improvement recommendation as part of our 2022/23 Auditor's Annual Report which stated *'the Council must ensure there is a robust financial governance framework around the delivery of its Capital Programme.'* The Council responded to this by stating *'the capital programme goes through quarterly reviews with the respective directorates and challenges are made as to the viability and deliverability of the programme. A number of factors that are outside the Council's control can often contribute to slippage and slippage is managed with careful consideration to cost and deliverability. The Council takes a prudent approach to borrowing for capital to avoid unnecessary costs and only borrows as required. Work is on-going during 2024/25 to refine the capital programme approach to ensure greater focus is given to the profiling of projects which should provide improved reporting and performance against budget.'*

As part of our work for 2023/24 and in consideration of prior year finding we have assessed the reason for slippage seen in the 2023/24 capital programme. The Capital Outturn Report included a summary of significant programme variations with 53% of all slippage relating grant funding changes which required specific projects to be reassessed - these changes included the simplification pilot which streamlines Future High Streets Fund, Town Deal and the Council's Levelling Up allocation and changes to the level of High Needs Provision Allocation grant which was notified late into 2023/24. Additionally, 26% of slippage related to housing acquisitions where conveyancing had yet to be completed but expected by quarter 2 2024/25 and changes to the Birkenhead commercial office programme which had been identified and approved in late in 2023/24. We consider the Council set out justifiable reasons for slippage. Oversight of the capital programme is examined in more detail within the financial governance section of this report.



Financial sustainability (continued)

Treasury Management and Investments

The Council sets a treasury management strategy annually as part of the budget setting process. The Council's treasury management activities are also supported by an external treasury management advisor which demonstrates adequate practice.

On 8 November 2024, the Policy and Resources Committee considered the Treasury Management Mid-Year Report for 2023/24 which outlined the activities of the Council's treasury management activities to 30 September 2023.

The report stated the treasury management budget forecast for 2023/24 was for a balanced position. The report also stated it had complied with all the treasury management indicators for the preceding six months, as set out in the agreed Treasury Management Strategy for 2023/24.

The Treasury Management Mid-Year Report for 2023/24 included a summary of the Council's borrowing and as of 30 September 2023 Council had £285.7m of external debt which represented a reduction of £30.2m from 31 March 2023 and the Council level of debt was below the Council's capital financing requirement as agreed in the 2023/24 treasury management strategy.

Included within the Council's external debt of £285.7m are £12.1 of Public Works Loan Board (PWLB) loans which related to the repayment of exceptional financial support granted to the Council by the government during 2021/22 and 2022/23. Further details of the financial support provided to the Council and subsequent actions taken by the Council are covered in more detail within the improving economy, efficiency and effectiveness section of this report.

We note the Council as of 30 September 2023 had borrowed £73m in temporary cashflow loans. The Council continued to utilise the short-term temporary peer to peer borrowing market (inter Council borrowing) during 2023/24 as it had done in the prior year. This approach was intended to minimise the cost of longer-term borrowing, whilst interest rates remained high, although the report acknowledged this did carry some risk if interest rates did not fall in the short term.

The Treasury Management Mid-Year Report for 2023/24 stated the Council had £46.7m in investments with report forecasting investment income would be £1.8m for 2023/24, £0.6m more than originally budgeted, principally due to higher than anticipated interest rates.

On 17 July 2024, the Policy and Resources Committee considered the Treasury Management Outturn Report 2023/24.

This report explained that for 2023/24 the Council's external debt as of 31 March 2024 was £336.6m and increase of £50.8m, from the mid-year point, due to borrowing to fund capital expenditure, refinancing of temporary debt to longer term PWLB loans to mitigate future refinancing risk and the increase was also due to a rise in short-term borrowing for cashflow purposes.

The Council reliance on inter-authority lending to support cashflow was referenced in our 2022/23 Auditor Annual Report as follows *'borrowing to finance short-term cashflow when coupled with the diminishing level of reserves held and total level of debt is a sign of financial stress which impacts the financial sustainability of the Council.'*

However, the Council has continued to rely upon short-term borrowing to support cashflow and reserves have reduced further during 2023/24. We have not raised a specific recommendation in relation to cashflow management as we consider this is incorporated within a more fundamental statutory recommendation in relation to the significant financial challenges the Council is facing in the short to medium term, due to the budget gap within the MTFs, low level of reserves, absence of a costed plan to build reserve levels back to a suitable level and a significant forecast budget overspend for 2024/25. Please refer to statutory recommendation 1 on page 6.

The Treasury Management Outturn Report 2023/24 identified that the Council has Lender Option Borrower Option (LOBO) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost.

During 2023/24, following an analysis and negotiation conducted by the Council external treasury management advisors the Council chose to refinance four LOBOs, totalling £20m and replace the financing with PWLB borrowing. The anticipated saving from this negotiated package of refinancing is £0.5m. In total, the Council refinanced £43.5m of LOBO loans within 2023/24 and the Council currently has £51m in LOBO's remaining.

The Council's reduction of LOBO loans during 2023/24 demonstrates the Council is regularly assessing more financially advantageous sources of borrowing which, can build resilience and represents good practice.

The Council's investment income for 2023/24 exceeded expectations and resulted in £2.1m of income which was £0.9m higher than the original budget attributable to rises in the underlying interest rate environment.

Financial sustainability (continued)

Treasury Management and Investments (continued)

The Treasury Management Outturn Report 2023/24 set out that the Council had invested £10m in the Altana Social Impact Fund (ASIF). The report explained that in December 2023, ASIP requested an extension to the current investment deadline of January 2024 to finalise two investments: one in waste incineration plants, and one in the care home sector.

The report went on to explain the Council had informed ASIP that they do not support the request for the investment period to be extended and the report also explained the return generated from the fund to date has been below the level anticipated.

We have established that because of the Council decisions relating to ASIP, £2.1m of the Council's original investment was returned (in 2024/25) and the Council's current investment in ASIF now stands at £7.9m.

Matters relating to the ASIF has been previously raised within our Value For Money Review of Governance of Company and Other Investments Report 2021/22 and in response to our findings the Audit and Risk Management Committee, on 27 June 2023, considered a report with relevant information regarding the Council's investment in the ASIF.

The report explained that after conducting necessary due diligence including associated legal agreement review the Council invested £10m in ASIF in February 2020 and that the fund had a total of £46m invested within it meaning the Council investment represents 21.7% of the fund and that future returns will increase as the investment fund is deployed into investment projects.

The Council has made a significant decision, during 2023/24, in relation to its holdings in ASIF. We consider it is timely members are provided with a further update on the investments held in ASIF and we have been informed by the Council that an update will be provided to the Audit and Risk Management Committee in January 2025.

The Treasury Management Outturn Report 2023/24 stated that during the 2023/24 the Council followed all treasury management indicators as set out in the agreed Treasury Management Strategy for 2023/24 which is adequate practice.

On 26 February 2024, full Council considered the Treasury Management Strategy 2024/25 Budget Report which outlined clearly the Council's arrangements for the management of the Council's cash flows, borrowing and investments, and risks and opportunities associated with those activities and included a series of indicators the Council sets to manages its treasury management activities and exposures to treasury management risks.

We also note that the Policy and Resources committee, on 17 July 2024, considered the 2024/25 quarter one budget monitoring report which included a quarterly review of the Councils treasury management indicators in adherence to requirements outlined within the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services: Code of Practice (the Code) which demonstrates good practice. Matters relating to governance of the Council treasury management activities are covered in more detail later in this report.

The Council also sets an Investment Strategy annually as part of the budget setting process which includes details relating to the Council's commercial property investments. The 2024/25 Investment Strategy detailed that the Council held commercial property investment that were not acquired specifically for income generation but to support the Council's medium to long term regeneration strategy. As such these acquisitions are accounted for as investment properties on the Council's balance sheet and are required to be revalued every financial year.

The report explained the total purchase price for these properties was £35m which was funded by Council borrowing, although we note some of these properties were acquired historically. As part of our work, we have assessed the most recent Council valuation (2023/24) and these commercial property investment currently have a value of £26m which is a 25% reduction from the purchase price. We have seen no evidence the Council is considering disposing of these commercial property holdings and note the Investment Strategy states the Council is forecasting a 3.17% investment rate of return (net of all costs including borrowing) from these investments.

However, the reduction in the value of the commercial property does create financial risk to the Council. Also, the Council's 2024/25 Investment strategy states - 'Should the 2023/24 year-end accounts preparation and audit process value these properties significantly below their purchase cost, then an updated investment strategy will be presented to full Council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.' These factors lead to an improvement recommendation. We recommend the Council provides members with an updated investment strategy report to set out the most recent commercial property valuations, the financial impacts of the new valuations and the details of planned Council activity to manage any resultant financial risks.

Please refer to improvement recommendation 2 on page 33.

Financial sustainability (continued)

Dedicated Schools Grant Deficits

On 12th December 2022, the UK Government announced that it would be extending statutory override for the Dedicated Schools Grant (DSG) in England for the next 3 years, from 2023-24 to 2025-26. By the time this period elapses, the statutory override will have been in place for six years.

Recent estimates put the total national deficit for local authorities in tens of billions by March 2023. Whilst statutory override remains in place, there is no requirement to make provision from general reserves for repaying the deficit. Reforms and savings targets have been agreed with those local authorities with the biggest deficits. However, all local authorities need to focus on managing (and reducing) their deficits – because how these will crystalize as liabilities in 2026 is not clear.

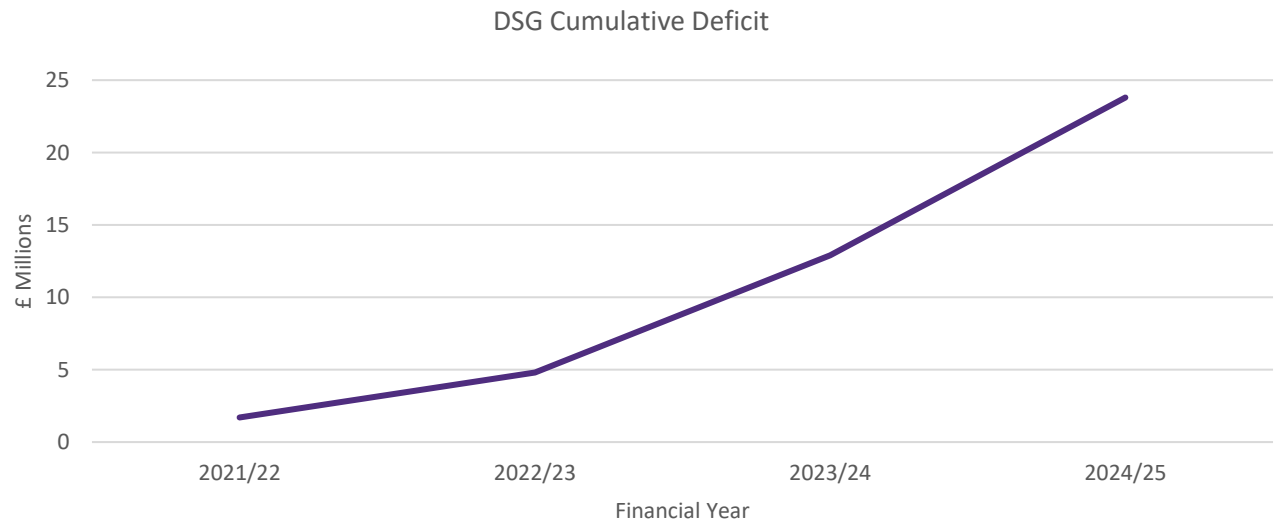
Within DSG, the High Needs Block has proved particularly problematic. The Block is there to support children with special educational needs (SEN), which means providing more teaching staff and resources. However, there is often a significant gap between funding granted per child and the actual cost of the teaching and other resources needed.

Every parent has the right to apply for support for their child. An expensive appeal process also exists. There are significant regional differences in numbers of plans granted by local authorities and cost management on those plans once they are granted. Managing (and reducing) the growing DSG deficits that arise as a result will be a challenge both for financial sustainability and for maintaining the overall quality and effectiveness of service provision.

Dedicated Schools Grant (DSG)

The DSG is a budget allocated in four blocks, including schools, early years, high needs, and central school services. However, the Council has been spending more than the funding provided, as have others in the sector, and has been in a deficit position that is increasing year on year, attributable to the High Needs Block (HNB), which is a type of funding to support children and young people with special educational needs and disabilities (SEND). A statutory override has been allowed by the government which currently allows the Council, like others in the sector, to treat the deficit as a negative reserve, however this mechanism is temporary and due to end on 31 March 2026.

The 2024/25 Budget Report, presented to full Council on 13 February 2024, set out the Schools Budget for 2024/25, that had been separately considered by the Council’s Schools forum. The budget report highlighted the risk that without further extension of this statutory override the DSG deficit may have to be included in the Council’s overall reserve. Also, the report explained members of the School’s Forum had expressed their concern in relation to the Schools Budget for 2024/25 as it had further compounded the existing DSG deficit position. The 2024/25 Budget Report set out the DSG and the Schools Budget for 2024/25. The DSG allocation for 2024/25 being £367.6m which was an increase of 8.75% from the prior year. However, the Council’s total School Budget expenditure was £378.5m, £10.9m more than the funding received, due to additional budgeted expenditure principally in relation to the HNB. As a result of this unfunded expenditure, we have established the DSG deficit is now expected to be £23.8m by 31 March 2025. The Council’s DSG cumulative deficit is identified in Figure 3 below:



Financial sustainability (continued)

Dedicated Schools Grant (DSG) – Continued

Figure 3 DSG cumulative deficit identifies that the Council’s DSG deficit is rapidly growing and is forecast to increase to £23.8m by 31 March 2025 (based on 2023/24 outturn which reported a DSG deficit of £12.9m and unfunded expenditure of £10.9m within the 2024/25 Schools Budget).

In consideration of the level of the Council’s DSG deficit, the Department of Education (DfE) had invited the Council to be part of the Delivering Better Value in SEND programme (DBV) to support Council’s improve delivery of services for children with SEND while ensuring services are financially sustainable.

On 19 March 2024, the Schools Forum considered a report with respect to the Council’s participation in the DBV programme. The report stated the Council had been working with DfE as part of the DBV programme since June 2023 and the Council had submitted to the DfE a DBV grant application in December 2023 which outlined a series of Council workstreams intended to support transformation of SEND provision and to mitigate the level of DSG deficit. Subsequently, in February 2024, the DfE had provided additional funding of £1m, to support this programme of activity. As part of our work, we have assessed the DSG forecast data provided by the Council to the DfE as part of the DBV grant application and Figure 4 below, Cumulative (DSG) Deficit forecast, was included within the DBV grant application.

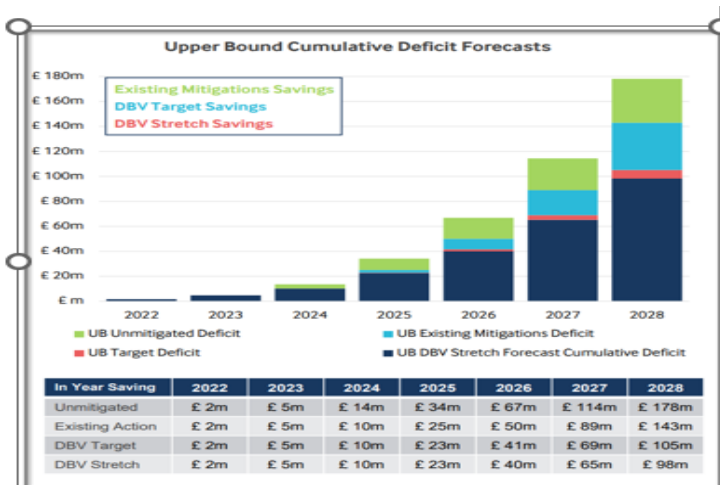


Figure 4, Cumulative (DSG) Deficit forecast, identifies that if the Council took no action the DSG deficit would rise to £178m by 2027/28, but planned DBV interventions could help limit the cumulative DSG Deficit to £98m by 2027/28 (best case). Despite DBV interventions the Council’s DSG deficit is forecast to continue to rise, albeit at a lower rate, which creates significant financial risk to the Council, and this is referenced in a wider key recommendation later in this section.

All Council’s with DSG deficits are required to present a deficit management plan to the Department for Education (DfE) for managing their future DSG spend. The Council has completed a DSG deficit management plan, and an update was provided to the same Schools Forum meeting on 19 March 2024. The report presented to the School Forum explained the DSG management plan included an unmitigated and mitigated Council forecast for the period 2023/24 to 2029/30 and paragraph 4.1 of the report included Cumulative deficit DSG position as per Figure 5 below.

Cumulative deficit DSG position

	2023-24 £,000s	2024-25 £,000s	2025-26 £,000s	2026-27 £,000s	2027-28 £,000s	2028-29 £,000s	2029-30 £,000s
Unmitigated Deficit DSG position	£13,073	£31,740	£62,403	£107,944	£169,494	£252,370	£367,030
Mitigated Deficit DSG position	£9,977	£20,893	£37,626	£62,496	£96,190	£138,202	£208,739

The DSG deficit forecast within the DSG deficit management plan states that by the 2029/30 the Council DSG deficit (after planned mitigations) will reach £208.7m or 52% of the Council’s entire net revenue budget for 2024/25 underlining the significance of the matter.

Financial sustainability (continued)

Dedicated Schools Grant (DSG) – Continued

The Council has taken steps to assess reasons for overspending and understand HNB demand however the level of DSG deficit creates significant financial risk to the Council especially in consideration of the overall low levels of general fund reserves held by the Council.

Should the governments statutory override be removed, the Council would need to use reserve balances to meet the shortfall, which creates significant risk that the Council will be unable to set a balance budget for 2026/27 and beyond.

These factors have been identified as a significant weakness and leads to a key recommendation.

We recommend the Council needs to place a significant and urgent focus on developing and implementing interventions which will support the management and mitigation of the Dedicated Schools Grant (DSG) deficit.

Additionally, the financial risks relating to the DSG deficit should be added to the Council's Corporate Risk Register.

Please refer to key recommendation 1 on page 9.



Sustainability

In 2019 the government passed legislation to bring all greenhouse gas emissions to net zero by 2050. This was to align with the commitments in the Paris Agreement to limit global warming to 1.5 degrees.

The Council declared an Environment and Climate Emergency at an extraordinary meeting of full Council on 15 July 2019. The Council developed an Environment and Climate Emergency Action Plan (ECEAP) in response to the declaration.

The Council operates an Environment, Climate Emergency and Transport Committee and this Committee provides oversight over the Council's ECEAP. In July 2024, the Committee considered a progress report on the ECEAP, covering the 2023/24 financial year which provided an informative summary of the Council's activity in response to the climate emergency. The report also explained that within the MTFS, capital requests are prioritised to include projects that support the ECEAP.

The Council's Capital Programme 2024/25 – 2029/30 included projects that focus on environmental initiatives such as energy efficient buildings, sustainable and green travel infrastructure, energy efficient street lighting and urban tree planting which demonstrates direct alignment to the ECEAP.

The strategic Council Plan 2023 – 2027 Wirral Working Together, includes the following priority: *'To play our part in addressing the climate emergency and protecting our environment'*. which directly aligns with the Council's declaration of a climate emergency and net zero commitments.

Asset Management

The Council has in place a current Asset (Management) Strategy. The Council states the Asset Strategy ensures that all property decisions comply with relevant legislation and the strategic Council plan to ensure the Council physical assets are used to best effect. The Council Asset Strategy clearly set out its inter-relationship with the Council's MTFS and Capital and Investment Strategies and explained how such interconnectivity is vital in the management of Council assets.

The Asset Strategy also references the Council's response to the climate emergency and explains that the Council estate accounts for approximately 69% of gross emissions reported so improving its environmental performance is critical in meeting Council climate commitments. The strategy stated reduction in emissions from Council assets will be achieved through improved operational practice, behavioural change and targeted investment in the corporate estate (e.g. decarbonisation and energy efficiency schemes).

The Council's Asset Strategy provides further evidence of the alignment and interconnectivity within the Council's strategic planning.

Financial sustainability (continued)

Alignment of financial and other corporate plans (continued)

Workforce Planning

The Council has a current People Strategy which set out five themes for the Council's workforce being:

- Meaningful Work
- Great Growth Opportunities
- Innovation
- Positive Work Environment
- Great Leadership and People Management

Each theme was underpinned by planned Council activity such as *'Strengthen our peoples financial and commercial acumen, capabilities and insights in effective budget management, procurement, contract management and value for money'* with this stream of Council activity directly aligning to the Council's financial planning processes and in direct support to the Council Plan 2023 – 2027 theme *'working together to create a more efficient effective and accessible Council'*.

The Council can demonstrate direct alignment and interconnectivity within in its key strategies including those relating to financial planning which demonstrates good practice.



Financial governance

Financial Governance - Annual budget setting process

The Council's budget setting process is approved annually by the Policy and Resources Committee and follows a structured and detailed project plan prepared, and project managed by the finance team, which sets out key budget setting actions, timelines, internal and external consultation and governance arrangements all of which supports effective budget planning and represents good practice.

The budget setting process begins in July each year with the finance team engaging with directorates to consider the prior year outturn and to identify any emerging factors which could have a financial impact.

These internal meetings are used to update the Council's draft MTFS, and identify any resultant budget gaps, which in turn is assessed and discussed by the Council's senior leadership team and supported by regular consultation and input from the Finance Sub Committee. We also note the independent assurance panel was extensively consulted as part of the 2024/25 budget setting process.

Between July and August, the Council conducts a series of budget workshops, with each Policy and Services committee, will allows for the current budget intelligence to be reviewed, challenged and modified and the process includes:

- Reviewing budget pressures with the aim of reducing them.
- Reviewing income streams to ensure that maximum benefits are being obtained and that achievable targets are set.
- Reviewing opportunities for budget efficiencies and savings.

Each Policy and Services committee, via the budget workshops, is accountable for identifying, developing and agreeing reductions in pressures and savings proposals to close the identified budget gap and as part of this process we have been informed the Policy and Service Committees routinely assesses controllable and non-controllable spend.

In developing budget proposals, each Policy and Service Committee must adhere to the MTFS guiding principles. The Council's MTFS guiding principles have already been set out on page 18 of this report.

The Policy and Resources Committee considered, on 4 October 2023, a budget report which provided an early iteration and assessment of the Council's financial outlook for 2024/25 with the report highlighting a potential budget gap of £14.9m for 2024/25. A 2024/25 Budget Report Update was again considered by the Policy and Resources Committee on 21 November 2023. This report built on the output of the Policy and Service Committee's workshops and following budget challenge sessions led by the Director of Finance with Council Directors. Included within the report were 2024/25 funding assumptions, itemised growth and savings items, and the report was supplemented by sensitivity analysis. The report identified a much-reduced budget gap of £0.5m for 2024/25.

The Policy and Resources committee, on 13 February 2024, considered for the final time the draft budget for 2024/25 and MTFS 2024/25 – 2028/29 which included outcomes of the public consultation held in January 2024. The report identified a balance budget for 2024/25. At the same meeting the draft Capital, Treasury Management and Investment Strategies were also considered. On 26 February 2024, full Council approved a balanced budget for 2024/25 based on the recommendations from the Policy and Resources Committee.

We have identified that the Council's Constitution states that the Policy and Resources Committee, in conjunction with the Director of Finance, will propose an annual Treasury Management Strategy and the Council has demonstrated adherence in 2024/25. However, the Constitution also states that the Audit and Risk Management Committee is to consider the effectiveness of the governance, control and risk management arrangements for Treasury Management and ensure that they meet best practice.

However, it is not defined how the Committee will fulfil these responsibilities. The Audit and Risk Management Committee did not consider the Treasury Management Strategy as part of the budget setting process, and this leads to an improvement recommendation. We recommend the Council clarifies the role of the Audit and Risk Management Committee in the assessment of the Council's treasury management activities and puts in place suitable arrangement to fulfil Committee's terms of reference. This could include assessment of the Council's draft Treasury Management Strategy ahead of adoption by full Council.

Please refer to improvement recommendation 3 on page 34.

Financial governance

Financial Governance - Budget Monitoring and Oversight

The Council also agrees annually with the Policy and Resources Committee the Council's approach to budget monitoring.

Each Council service area has a finance business partner, and budget holders complete a monthly budget forecast in collaboration with the finance team, to identify variances against the original budget set, and the reasons for variances. Monthly revenue forecasts are input by services directly into the core finance system. Capital budget monitoring is not yet input directly in the core finance system and is instead captured by the finance team in a separate data base, this has not been raised as an improvement recommendation as the Council has provided evidence that capital forecast are planned to be included in the core system during 2024/25.

The Council's Directorate Management Team (DMT) review of the outcomes of the monthly forecasts providing further scrutiny and oversight. Monthly financial forecasts, including progress made on approved savings, is also incorporated in the Council management information considered by the Council's Senior Leadership Team (SLT) providing organisational oversight to the latest Council financial position.

Quarterly budget monitoring reports are provided to each of the Policy and Services Committee to allow to enable the Committees to manage and monitor budgets effectively in-year. Each Quarterly report includes a report monitoring the revenue and capital budget, (relevant to the individual Committee) including the most recent full-year financial forecast and evaluation and supported by a full list of budget savings proposals and the progress. The Policy and Resources Committee also considers an overarching quarterly budget monitoring report which includes the Council wide budget performance.

As we have already highlighted in this report there was a significant adverse variance between the quarter three 2023/24 revenue forecast considered by the Policy and Resources Committee on 13 February 2024, and the final 2023/24 outturn considered by Committee on 17 July 2024. The Council has introduced further improvements to the budget monitoring process, has established a finance business partnering model and introduced a new collaborative finance system but the Council needs to ensure its budget forecasting arrangements are sufficient and this leads to an improvement recommendation. We recommend the Council satisfies itself that directorates are sufficiently supported and enabled to provide accurate budget forecasts as part of the Council's budget monitoring process.

Please refer to improvement recommendation 4 on page 35.

Finance System

During 2023/24 the Council implemented a new finance system. On 13 December 2023, the Policy and Resources Committee considered a report providing an update in respect of the new finance system (Oracle Fusion) which delivered a new finance, budget management and procurement system for the Council.

The report explained the new system has been implemented, through a phased approach from April to November 2023 and was now operational. One minor module relating to fixed assets which was taken out of scope by the Council.

The report also explained that the modern finance system offers enhanced automation and efficiency, streamlining financial processes, reducing manual errors and enabling real-time data access for informed decision-making and the more secure working environment provides assurance to the robustness of information held and facilitates more timely access to data that can be used for decision-making purposes.

We understand from the Council the new finance system has been implemented within budget and within agreed timeframes. We have also been informed the user acceptance is generally positive, support is ongoing for users to fully utilise self-serve elements of the system, and a project closure report will be considered by those charged with governance during 2024/25 which we will assess as part of Auditors Annual Report for 2024/25. Finally, no issues were identified in relation to the implementation of the new system in our wider audit work.

Finance Team Capacity

During 2023/24 the Council has sought to strengthen senior capacity and build resilience in the finance team through the recruitment of three new Heads of Finance. The wider finance team has also been restructured during 2023/24 with the intended outcomes to be delivered from the restructure being:

- Sufficient appropriately skilled, professional staff to support directors in the manner they require and deliver on statutory requirements.
- Facilitation of appropriate staff time for specialist areas including MTFs and budget setting, internal reporting with strategic aims, capital programme, treasury and procurement advice.
- Strengthened team positioned to work with, and add value to, the entire organisation's operations.
- A structure that is future-focused, with career progression opportunities facilitated.

Financial governance

Finance Team Capacity (continued)

We have established the Council has encountered challenges in recruiting to the new finance team structure. We have been informed by the Council that as of July 2024 the finance team had an average vacancy factor of 21% (core finance team, procurement and insurance but excluding internal audit).

The Council is taking steps to address this level of vacancy by a planned recruitment campaign, use of external recruitment specialists and by the recruitment of agency staff. However, the level of vacancy within this vital corporate area could impact resilience and could ultimately negatively impact the Council financial processes creating risk to the Council and will require careful monitoring by the Council.

As part of our financial statement audit, in relation to 2023/24, there were no material adjustments required to the financial statements, identified a positive sign that the existing financial team contains experienced staff with financial reporting knowledge.

Conclusion

The Council is facing significant financial challenges which creates a significant risk to the overall financial sustainability of the Council in the short to medium term, and due to the significance of this matter we have raised a statutory recommendation. See pages 6 to 8 for more details.

The Council's Dedicated Schools Grant (DSG) deficit is forecast to increase to £23.8m by 31 March 2025, and is forecast to continue to rise even further in the medium term, which creates additional financial risk to the Council. Due to the significance of this matter, we have raised a key recommendation. See page 9 for more details.

Additionally, we have raised four improvement recommendations. See pages 32 to 35.



Improvement recommendations

Improvement Recommendation 1

We recommend the Council provides the Children, Young People and Education Committee with an update in the respect of the 2024/25 placement costs for children looked after and the action being taken by the Council to mitigate the further overspends in this area including increasing the availability of fostering placements.

Improvement opportunity identified

This improvement recommendation will allow for further member oversight in relation to the Council's action to contain overspending in relation to children in care.

Summary findings

Despite a decrease in the overall children in care during 2023/24 there has been a significant increase in children placed in residential care settings leading to increased and unbudgeted costs.

Criteria impacted



Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

In September 2024, the Children, Young People and Education Committee approved the Care Programme, its financial reporting and governance arrangements. The Care Programme Board meet monthly to monitor placement costs, provision and increasing foster care placements. A full project plan and risk register will be presented to the Children, Young People and Education Committee in November 2024. The Budget Oversight Panel and Departmental Management Team will monitor financial aspects on a regular basis through the duration of the Care Programme.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit and Risk Management Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 2

We recommend the Council provides members with an updated investment strategy report to set out the most recent commercial property valuations, the financial impacts of the valuations, and the details of planned Council activity to manage any resultant financial risks.

Improvement opportunity identified

This improvement recommendation will allow for further member scrutiny in respect of the Council's investment activity which further enhances transparency and oversight.

Summary findings

The Council's commercial property holdings, funded by borrowing, have significantly reduced in value which creates financial risk to the Council.

Criteria impacted



Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

All investment properties are valued annually per the CIPFA Code of Practice on Local Government Accounting. Council will consider if they should be included in the investment strategy reported to Budget Council going forward. All asset decisions are taken to Economy, Regeneration & Housing Committee as part of wider Asset Management strategy governance arrangements.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit and Risk Management Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 3

We recommend the Council clarifies the role of the Audit and Risk Management Committee in the assessment of the Council's treasury management activities and puts in place suitable arrangement to fulfil the Committee's terms of reference. This could include an assessment of the Council's draft Treasury Management Strategy ahead of adoption by full Council.

Improvement opportunity identified

This improvement recommendation seeks to enhance the Council's existing financial governance arrangements even further.

Summary findings

The Council's constitution set out treasury management responsibilities for the Audit and Risk Management Committee. However, it is unclear how the Committee should fulfil this duty.

Criteria impacted



Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

The Council will review Treasury Management reporting arrangements to ensure that adequate opportunity is available to consider effectiveness of the governance, control and risk management arrangements for Treasury Management activity and to ensure they meet best practice.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit and Risk Management Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 4

We recommend the Council satisfies itself that directorates are sufficiently supported and enabled to provide accurate budget forecasts as part of the Council's budget monitoring process.

Improvement opportunity identified

Accurate budget forecasting is an essential requirement which supports the Council to rapidly respond to financial variance.

Summary findings

The Council's outturn position for 2023/24 represented a significant deterioration from the 2023/24 quarter three revenue forecast which indicates budget forecasting arrangements were not optimal.

Criteria impacted



Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

The Council has implemented a robust support framework to ensure budget holders can effectively utilise the Oracle EPM module for accurate financial forecasting.

Management comments

A briefing session was provided for all budget holders in November 2023, establishing a strong foundation for system adoption. To reinforce this initial engagement, the Council has developed and published a series of detailed training videos on the FLO training platform, allowing budget holders to access guidance material at their convenience and revisit specific aspects of the system as needed. Additionally, the Finance Team provides ongoing dedicated support to address any queries and/or present challenge in order to ensure a robust financial forecast process is delivered, with dedicated support made available by teams led by three Heads of Finance who are responsible for the People, Place and Corporate aspects of the organisation. This multi-layered approach, combining initial briefings, permanent online resources and continuous professional support, ensures budget holders have the necessary tools and knowledge to produce accurate and timely budget forecasts within the Council's monitoring framework. While the implementation of any new system requires a period of adjustment and cultural adaptation, the Council has made significant progress in this regard.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit and Risk Management Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Governance



We considered how the Council:

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

Risk management

Risk Strategy

During 2023/24 the Council reviewed and strengthened its risk management arrangements. On 26 March 2024, the Audit and Risk Management Committee considered a revised Risk Management Policy Statement and Strategy 2024 which had been updated to reflect the Council's current governance and organisational structure and to ensure alignment with the Council Plan 2023-27, specifically the Council plan enabling theme '*Working together to create a more efficient, effective and accessible Council*'.

The Risk Management Policy Statement and Strategy 2024 included a Council statement of commitment which stated, '*the Council's focus is on being a risk aware organisation, in which risk management is fully embedded in all aspects of the Council's business, and risks are identified, understood, and well managed*'. The Council also detailed how it would meet this commitment through a series of key actions which included, but not limited to, the following:

- Maintaining clear roles, responsibilities, and reporting lines, within the Council and the wider partnership environment, for risk management.
- Embedding risk management into the Council's decision making and operational management processes.
- Integrating risk management considerations into all elements of strategy, business and financial planning, commissioning and procurement processes, programme and project management, partnership working and reporting.
- Monitoring our risk management arrangements, and their effectiveness, on a regular basis.

The Risk Management Policy Statement and Strategy 2024 clearly set out the Council's risk managements, described in detail officer, member and team and Committee responsibilities, how risks are identified scored and monitored, and included comprehensive resource material to support officers and members in the identification and management of risks. We also understand the Council is cascading training for officers and members throughout 2024/25 in relation the revised strategy.

The Council's review of its key risk management strategy , its direct alignment with the Council strategic plan, and the inclusion of comprehensive information for officers and members in relation to the strategic and operational management of risks demonstrates good practice.

Risk Registers

The Council maintains a hierarchy of individual risk register across the Council with risks able to move between them, both upwards and downwards, reflecting the level of risk and area of organisational focus these include project and programme risk registers, specialist risk registers (such health and safety), team and directorate risk registers and finally the Council's corporate risk register (CRR).

Governance (continued)

Risk management (continued)

Each type of risk register is formed against a standard template and criteria to ensure consistency and supported by a central digital reporting tool which is good practice.

The Council's CRR is aimed to be reviewed by the senior leadership team quarterly and consists of high-level strategic risks which could impact the Council's overall objectives.

Part 3 of the Council's Constitution states that the Audit and Risk Management Committee is charged by full Council to: *'Provide proactive leadership and direction on risk management governance issues and champion risk management throughout the Council and ensure that the Full Council is kept sufficiently informed to enable it to approve the Council's Risk Management Policy and Framework and that proper insurance exists where appropriate.'*

During 2023/24 the Council maintained and updated a CRR which was presented to Audit and Risk Management Committee on 27 June 2024, 24 October 2023, 15 January 2024 and 26 March 2024 demonstrating adherence to constitutional requirements. We also note the Audit and Risk Management Committee, during their 15 January 2024 meeting, requested further details regarding arrangements in place within the Regeneration and Place directorate for managing all directorate risks evidencing a willingness for members to seek assurance on how key directorate risks were being identified and managed. The Audit and Risk Management Committee reviewed all Regeneration and Place directorate risks and their management on 26 March 2024 (alongside the CRR) demonstrating prompt adherence to the Committee specific request and this also satisfied an improvement recommendation raised within our 2022/23 Auditor's Annual Report.

The CRR considered by the Audit and Risk Management Committee on 26 March 2024 included a series of 12 risks graded to determine both the likelihood and the impact of the risk occurring, existing controls and mitigations, the responsible officer, current and targeted risk score, further planned Council activity to manage the risk, linkage to the Council Plan 2023-27, a red, amber, green (RAG) rating and direction of travel indicator. The risks with the highest current/residual risk score (graded red) were health and safety management, financial stability and resilience, response to an external or internal significant disruption, cyber security and climate response.

The Council's CRR carried a proportionate level information and described a series of key strategic and operational risks that could impact the Council and was supported by a regular regime of governance and oversight which is good practice.

Internal Audit

The Council has an established and suitably resourced in house internal audit service providing a vital component to the Council's overall control environment.

The Council's internal audit service can demonstrate compliance against the Public Sector Internal Audit (PSIA) Standards due to an external quality assessment having been conducted in October 2019, with a further external assessment scheduled for October 2024, in line with the PSIA requirement that an external assessment should take place at least once every 5 years. We also understand from the Council an annual self-assessment is conducted by the service in support of PSIA requirements. The Council's regime of self and external assessment in line PSIA standards is good practice.

Ahead of each financial year internal audit develops a detailed risk based internal audit plan for the Council, which is informed by: a detailed assessment of the Council's risk registers, consultation with senior officers and members, results of previous internal audit activity, new or emerging risks affecting the Council or the sector and known changes to the Council's business, operations, programs, systems, or controls. Furthermore, the plan is developed in line with PSIA and Chartered Institute of Public Finance and Accountancy (CIPFA) best practice guidance.

The proposed internal audit plan that is developed reflects a 12-month rolling plan that includes key areas of coverage but retains an element of contingency in order that the plan can remain flexible and respond to new and emerging risks areas requiring internal audit activity which is reasonable practice.

Part 3 of the Council's Constitution states that the Audit and Risk Management Committee is charged by full Council to: *'Consider annually the effectiveness of the system of internal audit including Internal Audit Charter, Strategy, Plan of work and performance and that those arrangements are compliant with all applicable statutes and regulations.'* In adherence to these requirements the Audit and Risk Management Committee on 27 June 2023 considered the proposed the Council's internal audit and counter fraud plan for 2023/24 which included 35 themed areas for audit attention during 2023/24 in addition to assurance work being provided by internal audit to external organisations generating external income for the Council.

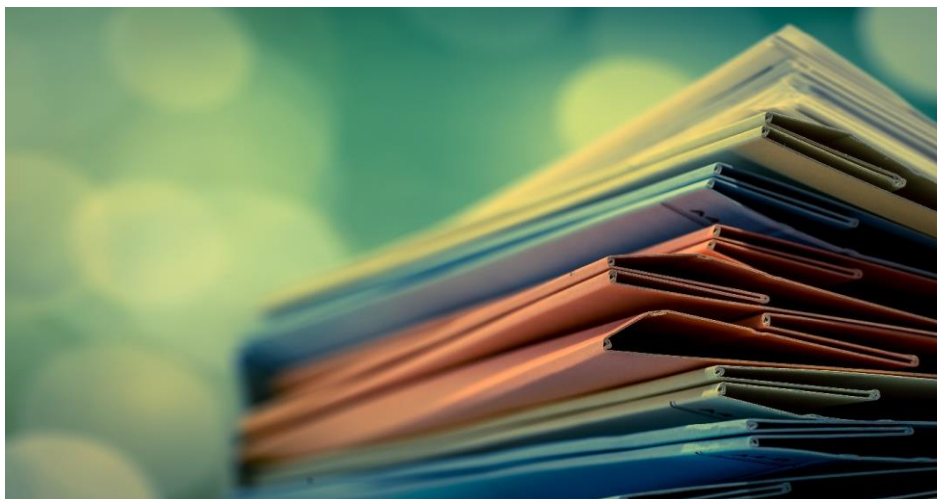
Governance (continued)

Internal Audit (continued)

We have been informed by the Council that the internal audit and counter fraud plan for 2024/25 was intended to be agreed by the Audit and Risk Management Committee on 25 June 2024, but this scheduled meeting was cancelled (like other Committee meetings in the sector) due to the general election and the internal audit and counter fraud plan for 2024/25 was considered by Audit and Risk Management Committee on 31 July 2024.

The Council develops the annual internal audit plan ahead of each financial year however in 2023/24 members of Audit and Risk Management Committee were not given the opportunity to endorse the plan until after the plan had commenced, similarly the 2024/25 internal audit plan was originally scheduled to be endorsed on 25 June 2024, and this leads to an improvement recommendation. We recommend the Audit and Risk Management Committee endorses the proposed internal audit and counter fraud plan before or as near to the start of the plan period as possible. This will ensure those charged with governance are afforded an opportunity to provide oversight to the proposed plan in a timely manner.

Please refer to improvement recommendation 5 on page 44.



During 2023/24 the Audit and Risk Management Committee were provided with Internal Audit update Reports on 27 June 2023, 24 October 2023, 15 January 2024 and 26 March 2024 allowing members to frequently assess progress against the agreed 2023/24 internal audit plan. These reports provided a narrative summary of internal audit activity undertaken in the preceding period, provided an update in respect of the implementation of internal audit recommendations, detailed areas of future planned activity, provided the latest internal audit performance indicators, which included both quantitative and qualitative measures, and set out activities being undertaken by the internal audit service to support continuous development.

Our Auditor's Annual Report for 2022/23 included an improvement recommendation for the Council to enhance its reporting of internal audit plan progress by including an overview of progress of completion against planned reviews along with the assurance opinion that has been concluded. The Council has acted on this recommendation as the Internal Audit Update Report, considered by the Audit and Risk Management Committee on 26 March 2024, included a real time dashboard summary of audit work completed and opinions provided. The frequent provision of comprehensive and informative internal audit update reports to members supports governance and oversight and is in line with good practice.

On 31 July 2024, the Audit and Risk Management Committee considered the Chief Internal Auditors Annual Report and Opinion for 2023/24. This report stated that the internal audit service had undertaken seventy-nine individual assignments in accordance with the agreed internal audit plan for the year as endorsed by the Audit and Risk Management Committee in June 2023. The report included prior year comparative data and stated the outcomes for 2022/23 and 2023/24 are broadly similar. Of the seventy-nine internal audit assignments conducted in 2023/24 seventy-six risk opinions were provided as follows: negligible (3), minor (46), moderate (23) and major (4). Two of four major finding did include procurement and contract management recommendations, and this is covered in more detail within the improving economy, efficiency and effectiveness section of this report.

The report stated that the original internal audit plan has been fully delivered for the 2023/24. Furthermore, we note all key performance targets relating to the internal audit service were achieved. The report included the Head of the Internal Audit opinion for 2023/24 being *'It is my opinion therefore that the Council generally maintains adequate and effective control and governance processes overall. This opinion is based on audit work performed during 2023/24 and from cumulative knowledge of the organisation.'*

Governance (continued)

Council arrangements to prevent and detect fraud

The Council has an overarching Counter-Fraud and Corruption Strategy (last updated in October 2023) that sets the principles that the Council is committed to in preventing fraud and corruption. The Counter-Fraud and Corruption Strategy Council also details a range of interrelated policies and procedures that provide a framework to help counter any fraudulent or corrupt activity. These include:

- Code of Conduct for members and employees
- Whistleblowing Policy and Complaints Procedures
- Fraud Awareness and Training
- Disciplinary Policy
- Effective Recruitment and Selection procedures
- Financial Regulations & Contract Procedural Rules (part of the Council's constitution)
- Anti-Money Laundering Policy
- Anti-Fraud and Corruption Policy
- Fraud Response Plan
- Anti-Bribery Policy
- Information Security Policy
- Gifts and Hospitality Policy
- Conflicts of Interest Policy
- Cyber Fraud guidance

Our work has established that the Council, during 2023/24, reviewed and updated the Code of Conduct for Employees, to ensure it correctly aligned with other corporate strategies with full Council adopting the revised Code of Conduct for Employees on 22 May 2024. The updated Code of Conduct for Employees outlined employee responsibilities in respect of preventing and reporting fraud and corruption and provided further supporting information to officers in a clear and accessible format which enhanced this key control document.

During 2023/24 the Council's internal audit service continued to undertake, as in the prior year, counter fraud activity, the proposed areas of focus being outlined with the proposed internal audit and counter fraud plan for 2023/24 considered by the Audit and Risk Management Committee on 27 June 2024. Proposed activity included both proactive and reactive fraud investigations, assessment of national data matching referrals and the ongoing review of key fraud policies and the delivery of fraud awareness training to officers.

During 2023/24 the Audit and Risk Management Committee were provided with counter fraud activity reports, alongside internal audit plan updates, on 27 June 2023, 24 October 2023, 15 January 2024 and 26 March 2024.

We note that the counter fraud activity report of 24 October 2023 explained that the Council was, during November 2023, coordinating a counter fraud campaign aimed at both the public and officers in collaboration with other regional Council's. The campaign was to coincide with the International Fraud Awareness week and was intended to raise awareness of potentially fraudulent activity and inform residents and officers on how to report concerns.

Each year the Council produces an Annual Counter Fraud Report which details the counter fraud activities undertaken by the Council during the previous twelve months. The Annual Counter Fraud Report 2022/23 was considered by Audit and Risk Management Committee on 24 October 2023 (as reported within our Auditor's Annual Report for 2022/23) at the time of our reporting the Annual Counter Fraud Report 2023/24 was yet to be published and will be considered as part of our work for 2024/25.

The reactive and proactive counter fraud activity undertaken by the Council during 2023/24 demonstrates the importance the Council places on the prevention and detection of fraud and this represents good practice.



Governance (continued)

Whistleblowing

On 26 March 2024, the Audit and Risk Management Committee considered the Annual Update of Whistleblowing Concerns raised in 2023/24 and was intended to provide the Committee with assurance that concerns raised by officers in respect of possible fraud, danger or malpractice are being appropriately managed by the Council. The report explained that during 2023/24 one whistleblowing complaint had been raised and the investigation was ongoing, and a further update would be provided to the Committee once an outcome had been reached.

The Annual Update of Whistleblowing Concerns raised in 2023/24 stated the Council's current Whistleblowing Policy was last approved on 24 February 2021 and would be required to be reviewed every three years, and the report stated a planned review will be carried out in the forthcoming municipal year. The Council's Whistleblowing Policy is a central control document, and it is important it is current and reviewed in line with agreed timeframes. At the time of this report the policy is yet to be updated although the Council has committed to do so in March 2025. This leads to an improvement recommendation. We recommend the Council concludes its formal review of the Whistleblowing Policy and a revised policy is agreed by those charged with governance during 2024/25.

Please refer to improvement recommendation 6 on page 45.

Council Decision Making

Council Constitution

The Council publishes its constitution on its website. The constitution is a written legal document that guides the Council on its decision-making processes. It provides a basis and framework for the members and officers to work within and sets out how decisions are taken, who has the power to take which decisions and sets out the procedures, codes and protocols to be followed to ensure decisions are made efficiently, transparently and with accountability to local people.

The Council has a duty to regularly review the constitution with any necessary changes being considered by full Council and the Council can demonstrate adherence to this requirement during 2023/24. On 28 February 2024, the Constitution and Standards Committee considered a report recommending several revisions to the constitution following work that had been conducted by a governance working group during 2023/24. The Constitution and Standards Committee recommended full Council adopted such changes and full Council resolved to adopt the amendments on 22 May 2024.

The Council's publication of its constitution on its website and the review of the constitution during 2023/24 enhances transparency, fulfils the Council's constitutional responsibilities and demonstrates good practice.

Model of Governance

During 2023/24 the Council continued to operate a Committee model of governance. Council decisions are made by full Council (the ultimate governing body of the Council which is made up of all elected members), six policy and services committees or by regulatory committees.

The Policy and Resources Committee is the principal Committee of the Council and is made up of the Leader as Chair, the Deputy Leader as Vice-Chair and the Chairs of the other Policy and Services Committees as members of the Committee, together with other Members of the Council as determined by the Council. The Council's current Committee structure is shown in Figure 6 below.

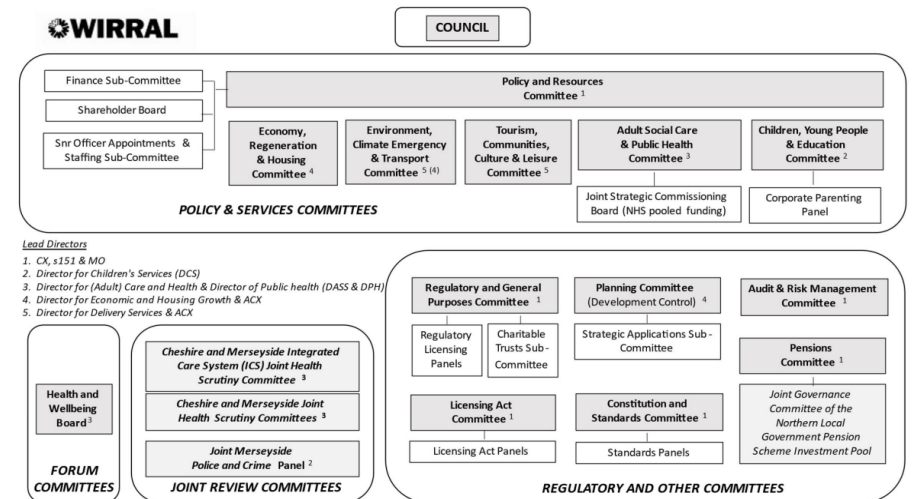


Figure 6 identifies the Policy and Services Committees that are responsible for the Council's policy making and the management of its resources, known as executive functions.

Governance (continued)

Council Decision Making and informed decision making (continued)

Informed decision making

The Council publishes on its website details of full Council and Committee meetings, and this includes the agendas, minutes and decisions made. The Council also has enabled live broadcasting of Council meetings, which enhances transparency and demonstrates reasonable practice. Before Committee papers are published and submitted for consideration, they are checked and validated through an established internal process. Committee reports are first considered by Corporate Coordination Group, then subject to Director and Statutory Officer approval which is followed by a member oversight and review to enable Leader briefings. We also have been informed by the Council that these arrangements to approve and disseminate information relating to proposed decisions, have been enhanced, during 2023/24, by the introduction of Group Leaders briefings and meetings, with the agenda being set by the Chief Executive to discuss emerging key strategic issues.

As part of our work, we have assessed the activities of the six Policy and Services committees during 2023/24 as summarised in Figure 7 below.

Committee	Number of Meetings during 2023/24	Work / Forward Plan considered	Attendance statistics published	Sampled papers within Terms of Reference
Adult Social Care and Public Health Committee	7	Yes	Yes	Yes
Children, Young People & Education Committee	7	Yes	Yes	Yes
Economy Regeneration & Housing Committee	7	Yes	Yes	Yes
Environment, Climate Emergency and Transport Committee	7	Yes	Yes	Yes
Tourism, Communities, Culture & Leisure Committee	7	Yes	Yes	Yes
Policy and Resources Committee	11	Yes	Yes	Yes

Figure 7 demonstrates the Council's committees that are responsible for executive functions, during 2023/24, met frequently, were suitably attended by members, relevant papers were considered in line with each committee's terms of reference and each individual Committee proactively considered its specific work programme which is reasonable practice. Our work has also established the Council's senior leadership assesses, monthly, Council committee's statistical data further demonstrating the Council's commitment to matters of effective governance.

Audit and Risk Management Committee

The Council also operates an Audit and Risk Management Committee and its terms of reference, set within Part 3 of the Council's Constitution, states *'the Audit and Risk Management Committee is a key component of the Council's corporate governance, and it provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.'*

The Council's Audit and Risk Management Committee met five times during 2023/24, with minutes of these meetings demonstrating a range of topics being assessed within the committee's remit, we also note the Committee has arrangements for two independent Members to serve on the Committee which represent good practice.

CIPFA has produced the 'Audit Committees: Practical Guidance for Local Authorities and Police 2022', which deals with the function and operation of Audit Committees and represents best practice for audit committees in local authorities throughout the UK, the guidance also includes a self-assessment tool to identify areas of improvement. On 15 January 2024, the Audit and Risk Management Committee considered a report which explained a self-assessment, in line with CIPFA guidance had been undertaken for 2023/24 and this has resulted in an action plan to develop the functions of the Committee even further. During the same meeting, the Audit and Risk Management Committee considered the Audit and Risk Management Committee Annual report for 2022/23, which summarised work undertaken by the committee.

The Audit and Risk Management Committee willingness to assess areas of potential development and the publication of an annual report of activity, support an effective control environment and fosters transparency which is in line with best practice.

Standards and Behaviours

The Council has a number of policies and codes that describe expectations for Members and officers in terms of conduct, behaviour and ethics and these include a Members' Code of Conduct.

Governance (continued)

Standards and Behaviours (continued)

The Council's Members Code of Conduct 2022 is included within Part 5 of the Council's constitution and sets out general principles and obligations about the standards of conduct expected of Members and co-opted members. The Council and other authorities within the region have adopted this specific Members Code of Conduct which was drafted in with to the Local Government Association (LGA) 2021 Model Councillor Code of Conduct and Guidance which ensure a level of consistency across the region as is good practice.

Potential breaches in respect of the Members Code of Conduct are referred to the Council's Monitoring Officer to conduct a preliminary assessment and evaluation of the complaint in conjunction with an Independent Person. The Monitoring Officer will then decide whether any action should be taken and if the matter should be referred to the Council Constitution and Standards Panel for further consideration. Arrangements for investigating and making decisions in relation to breaches of the Members Code of Conduct are set out in the Council's Members' Code of Conduct Protocol 2019. The Council has informed us that an informal review of the protocol was undertaken by officers, in 2023, with no issues reported and the Council considers that the protocol describes an established process. However, this document predates the latest Members' Code of Conduct and should be reviewed and adopted in consideration of the updated Members Code of Conduct and to ensure the protocol also aligns with current best practice. This leads to an improvement recommendation. We recommend the Council reviews, updates and agree its Members Code of Conduct Protocol 2019.

Please refer to improvement recommendation 7 on page 46.

On 1 August 2024, the Constitution and Standards Panel considered a report providing a summary of standards complaints received under the Members' Code of Conduct between 1 January 2023 and 31 March 2024. The report explained a total of 39 complaints in respect of the conduct of 7 Members have been received. One complaint received was referred for a formal investigation (relating to the 2022/23 and still under investigation). Furthermore, the Council's draft Annual Governance Statement for 2023/24 states no complaints in respect of Standards have been received during 2023/24 that required formal investigation in respect of Member behaviour (and no breaches have been reported under the Officer's Code of Conduct) which is indicative that suitable arrangements were in place during 2023/24 to maintain expected standards and behaviours for both Members and officers..

The Council's Members Code of Conduct 2022 includes gift and hospitality guidelines that requires members to register with the Monitoring Officer any gift or hospitality with an estimated value of at least £50 within 28 days of its receipt Member gifts and hospitality declarations are published under each member's profile on the Council's website, alongside a register of interests and any relevant declarations of interest made during Council meetings which supports transparency.

As already referenced earlier in this report, full Council adopted the revised Code of Conduct for Employees on 22 May 2024 which also includes guidance in relation to officer gifts and hospitality with reference to underlying policies and procedures that must be followed by all officers, and these arrangements are also supported by a bi-yearly review of gifts and hospitality (and conflicts of interest declarations) by senior Council officers, further demonstrating the Council's arrangements to support good governance.

Data Breaches and Senior Information Risk Owners (SIRO) Annual Report

The Council has previously provided the Audit and Risk Management Committee with information regarding data breaches, those reported internally and those escalated to the Information Commissioner's Office (ICO), within the SIRO Annual Report, however the last time this was provided was in November 2021.

The Audit and Risk Management Committee considered, on 26 October 2022, a briefing note that included an update in relation to the policies, procedures and current framework within the Council to manage and mitigate risks in relation to information governance and this briefing note provided the Committee with information regarding the number of data breaches recorded by the Council in the preceding twelve months and stated a further update regarding information governance matters will be presented in 12 months' time and this would again include statistical data regarding data breaches. We understand from the Council a SIRO Annual Report was provided to the Audit and Risk Management Committee on 22 October 2024.

We do note the Council's draft Annual Governance Statement 2023/24 states arrangements are in place in the Council to identify and report data breaches and there were no data breaches in 2023/24 that have required notifying the ICO.

Governance (continued)

Matters relating to commissioned services

At the time of our Value for Money assessments for 2023/24 were being undertaken we became aware of investigations into a SEND school commissioned by the Council.

The Council has provided to us a narrative of Council arrangements in responding to matters relating to this commissioned service.

A Complex Abuse Investigation and Child Safeguarding Practice Review are both in progress and the implications of any relevant findings from these formal investigations and reviews will be considered as part of our work once published.

Within the improving economy, efficiency and effectiveness section of this report we examine matters relating to SEND provision in more detail.


Overall Governance Conclusion

Overall, we found no evidence of significant weaknesses in the Council's governance arrangements for 2023/24.

However, we have found opportunities for arrangements to be further enhanced, and we have made three improvement recommendations set out on pages 44 to 46.




Improvement recommendations

Improvement Recommendation 5	We recommend the Audit and Risk Management Committee endorses the proposed internal audit and counter fraud plan, before or as near to the start of the plan period, as possible.
Improvement opportunity identified	This will ensure Audit and Risk Management Committee are able to consider the proposed plan ahead of its implementation or near to it.
Summary findings	The internal audit and counter fraud plans for 2022/23 and 2023/2024 were tabled to be considered by Audit and Risk Management Committee after the plans took effect.
Criteria impacted	 Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Due to committee meeting scheduling issues in recent years it has not been possible to present audit plans to the Audit and Risk Management Committee (ARMC) at the year-end. Moving forward the Chief Internal Auditor will liaise with colleagues in Democratic Services to ensure that ARMC meetings are scheduled in good time to allow the Internal Audit and Counter Fraud Audit Plans to be presented to Committee for endorsement before or as near to the start of the plan period as possible.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit and Risk Management Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 6	We recommend the Council concludes its formal review of the Whistleblowing Policy and a revised policy is agreed by those charged with governance during 2024/25.
Improvement opportunity identified	A current Whistleblowing Policy would further enhance the Council's control environment.
Summary findings	The Whistleblowing Policy is outdated and requires to be reviewed and approved by those charged with governance during 2024/25.
Criteria impacted	 Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Amendments have been made to the policy during 2023/24 and there have been no relevant legislative changes or issues as to the effectiveness of the policy. However, the Whistleblowing Policy review will be concluded and reported to ARMC in March 2025.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit and Risk Management Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 7

We recommend the Council reviews, updates and agree its Members Code of Conduct Protocol 2019.

Improvement opportunity identified

The Council has in place a current Members Code of Conduct that describe expectations for Members in terms of conduct, behaviour and ethics. This improvement recommendation seek to enhance existing arrangements even further.

Summary findings

The Members Code of Conduct Protocol 2019 predates the latest Members Code of Conduct and requires to be reviewed by the Council and approved by those charged with governance.

Criteria impacted



Governance

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

The Members' Code of Conduct Protocol is well established with members of all political groups, accepted, and runs very smoothly. The Monitoring Officer conducted an informal review in 2023 with the Deputy Monitoring Officer upon starting in post and saw nothing of concern. The Monitoring Officer will ensure that when the annual report is taken to members regarding standards of behaviour that this includes either a review of or an affirmation that the Protocol remains fit for purpose as appropriate.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit and Risk Management Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improving economy, efficiency and effectiveness



We considered how the Council:

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

Assessing performance and identifying improvement

Independent Assurance Panel

During 2020/21 and 2021/22 the Council was required to request additional support from the government to manage financial pressures and subsequently exceptional financial support was granted by the government in the form of capitalisation directives totalling £12.1m in 2020/21 and 2021/22. As part of this process the government commissioned an external assurance review covering governance and finance with the findings of these reviews published in 2021/22.

One of the key recommendations from the governance review involved the Council setting up an Independent Assurance Panel (IAP) to oversee the Council's improvement plan and compliance with the recommendations arising from the external assurance review process.

In December 2021 the Council, with support from the Local Government Association (LGA), appointed the IAP which includes senior leaders from the sector and includes members from other Council's that work on behalf of the LGA in supporting local government improvement. The terms of reference of the IAP included a requirement for the IAP to report to the government on progress implementing against the Council's Improvement Plan which was agreed by full Council on 1 July 2022 with updates of the activities of the IAP to also be provided to the Policy and Resources Committee.

On 18 January 2024, the Policy and Resources Committee, considered an update report in respect of the IAP and this included a letter to the Council from the Chair of the IAP which highlighted the progress the Council had made with reference to the development of a new corporate plan 2024 – 2027, an aligned MTFS and the setting of balanced budget in 2024/25. The letter highlighted the need for the Council to:

- Identify additional savings in future years.
- Develop further linkage between the corporate plan 2024 – 2027 and MTFS.
- Introduce a very robust and comprehensive performance management framework.

The letter from IAP concluded that a further IAP meeting would be held in March 2024 and that if all the factors outlined above are met then the panel would be stood down. On 20 March 2024, the Policy and Resources Committee were provided with a verbal update regarding the March 2024 IAP meeting within which it was stated the IAP had congratulated the Council on the progress made over the past two years in respect of the implementation of the Council's improvement plan and that no further meetings of the IAP would require to be held subject a final report being presented to the Policy and Resource Committee and the government in due course.

The Council has been able to demonstrate to the IAP sufficient progress against the agreed improvement plan for the IAP to stand down, which provides evidence of the Council's willingness to positively collaborate with others to identify areas requiring improvement and to deliver such improvements in a timely manner, which demonstrates good practice.

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

Council Plan and Monitoring

During 2023 the Council monitored its performance against the strategic Wirral Plan 2021 – 2026 with the Policy and Resources Committee considering a summary of progress made against the Plan in March and November 2023.

As part of the Council's improvement plan overseen, by the IAP, the Council committed to develop further its strategic planning. Following Council elections in May 2023 the Council developed a new strategic Council plan, informed by extensive cross-party consultation. On 4 December 2023, full Council adopted the new Council Plan 2023 – 2027 'Wirral Working Together' which was aligned with the new four-year electoral cycle and included seven strategic priorities to:

- Deliver high quality efficient universal services to all residents.
- Prioritise those with the greatest needs.
- Deliver Council services within the means of the Council budget.
- Be prepared to innovate and face the future.
- Play our part in addressing the climate emergency and protecting our environment.
- Work across communities with community, voluntary and faith organisations and partners to improve all residents' life chances.
- Deliver our ambitious regeneration programme through increased investment, jobs and new businesses throughout the borough.

The above strategic priorities are complimented by a series of themes one of which being '*working together to create a more efficient, effective and accessible Council*' with desired outcomes of this theme including '*Services are cost-effective and deliver value for money*' and '*Council services are efficient, accessible and inclusive*'. These commitments reflect the central strategic significance the Council places on providing cost effective and performing services which represents good practice.

Matters relating to monitoring and reporting of the Council Plan 2023 – 2027 were considered by the Policy and Resources Committee on 20 March 2024, where the Council detailed a draft Performance Management Framework (PMF) which included key suggested performance indicators and a Data Quality Guidance Policy.

The PMF and supporting documents comprehensively detailed the Council's new approach to performance management, introduced data quality standards and set out performance oversight arrangements.

The PMF stated Council Plan 2023 – 2027 performance reporting will align with budget monitoring, be reported to Policy and Service Committees quarterly alongside financial monitoring reports and this reporting regime will commence from September 2024. The alignment of financial and performance reporting to members is good practice as it can provide members with a wider view of the overall performance of the Council and can help identify areas of interconnectivity. The PMF also stated the performance reports will be made available on the Council website as part of a dedicated Council Plan web page which supports transparency and is reasonable practice.



Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

Operational Performance Monitoring

The Council maintains a performance database allowing for a single and central source of operational performance data to be accessed and assessed through performance dashboards throughout the organisation including at both directorate and the executive team level. The Council also operates an officer-led Operational Performance Group (OPG), that reports directly to the senior leadership team (SLT) monthly. The OPG purpose is to provide a strategic review of Council wide operational performance, and this group will proactively flag areas of performance risk to SLT and conduct focused interventions into areas of concern or interest with outcomes and recommendations reported back to SLT.

Operational performance data provided by OPG, and considered by SLT, is captured within a monthly insight pack. As part of our work, we have reviewed the April 2024 insight pack which included a wide range of service performance and financial data (including savings monitoring), CRR extract, internal audit updates, and information governance data.

The April 2024 insight pack was also supported by an executive summary drawing attention to significant matters relating to performance. We note performance within the Revenues and Benefits and Children, Families and Education services being particularly below target range. However, the insight pack also included an OPG action plan which detailed how the Council was responding to these specific areas of poor performance and referenced that a 'deep dive' into Revenue and Benefits performance had been conducted by the OPG with outcomes to be reported to SLT.

We also note senior leads from the Children, Families and Education service attended SLT in April 2024 to discuss service performance and improvement measures specifically in relation to education, health and care plans for children and young people. For most children and young people educational settings have resources that can support them. The setting can use a special educational needs and disabilities (SEND) support plan to help make a long-term plan of action for the child or young person. However, some children and young people (aged up to 25) need more help than is available through SEND support and this is assessed and decided through an education, health and care plans (EHCP) process. Councils who have responsibility for assessing EHCP's and putting in place appropriate provision have 20 weeks from the date they receive the request for the assessment to give a final EHCP decision. The April 2024 insight pack reported that 15% of EHCPs were being approved with 20 weeks, but this remains significantly below the Council's target level of 75% and England average 50.3%.

We understand from the Council that an EHCP recovery plan has been implemented. Matters relating to SEND services are covered in more detail later in this report and included in a key recommendation on page 9.

The Council has in place arrangements to capture operational performance data, which is regularly assessed at a senior officer supported by the activities of the OPG.

Operational Performance Monitoring and Elected Members

As part of our work, we have assessed performance information provided to members of the Council Policy and Services Committees during 2023/24. We understand from the Council that the Policy and Service Committees have historically commissioned their own operational performance reports to maintain oversight and hold services to account for service performance. We have established that during 2023/24 the Adult Social Care and Public Health Committee and the Environment, Climate Emergency and Transport Committee did consider regular operational performance reports however quarterly reports were not considered by Tourism, Communities, Culture & Leisure Committee (although this Committee received two performance reports in relation to community safety and leisure as per their request) Children, Young People and Education Committee nor the Economy Regeneration and Housing Committee.

The Council has informed us that Tourism, Communities, Culture and Leisure Committee, and Economy Regeneration and Housing Committee operational reports are in development and will be added to the Committees work programme this year and it is important this work is expedited to support effective governance, oversight and transparency and this is included in an improvement recommendation later in this section.

We have also been informed that a decision was taken, during 2023/24, by the Children, Young People and Education Committee to halt the assessment of full performance reports (from June 2023) and instead to take performance information relating to the theme of the specific Committee meeting, however during this time members still had access to the Council performance database which includes service information for Children, Young People and Education but we have been informed member use of this data was limited.

In consideration of this, the full quarterly service performance reports are now again being provided to members of the Children, Young People and Education Committee from July 2024. The Children, Families and Education service is responsible for a range of key statutory services that have an acute impact on children, young people and families and the absence of quarterly, service wide performance reports between June 2023 and July 2024 has seriously limited the opportunity for members and the public to formally assess performance. These matters are included within a key recommendation later in this report.

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

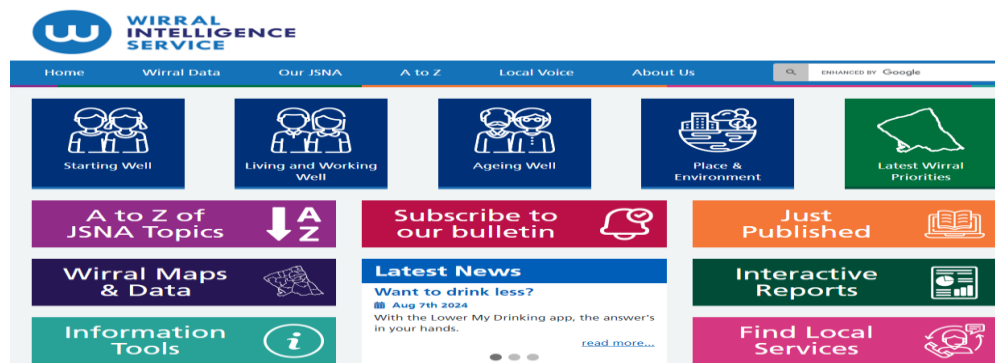
We have also established significant performance issues within parts of Children, Young People and Education service area which underlines the need for regular operational service reporting to all of the Council's Policy and Services Committees, and this leads to an improvement recommendation. We recommend the Council undertakes a review, during 2023/24 of operational performance data being provided to the Council's Policy and Services Committees to:

- Ensure members are provided with regular and relevant operational performance reports covering all services within the committee's remit.
- Committee reports are aligned to the proposed Council Plan 2023 – 2027 performance reporting.

Please refer to improvement recommendation 8 on page 58.

Benchmarking and Learning from others

The Council can demonstrate it secures, makes available and uses a wide range of benchmarking data. The Council operates a Wirral Intelligence Services, a specialist team within Council, who's role is to ensure the Council, and key partners, have relevant and impactful insight data to support informed decision making and this includes the provision of benchmarking data. The Wirral intelligence Service operates a public facing website which carries a very wide range of publicly accessible and informative data which allows officers, members, residents and stakeholders to access real time information through an easy-to-use digital platform. Figure 8 below is the landing page of Wirral Intelligence Service Website.



As part of our work, we have assessed key data suites provided by Wirral Intelligence services, as follows:

- Wirral Local Insight - online community mapping and reporting tool that provides instant access to neighbourhood level data, specifically for Wirral and includes relevant benchmarking indicators.
- State of the Borough Report – collates information about health, wellbeing and living standards using a range of local statistics and wider comparative indicators.
- Wirral Cost of Living Report - this report analyses national and local datasets to examine the impact of inflation on Wirral residents.

The above reports all included comprehensive benchmarking/comparative data which provided informative context.

We have also established that the Council utilises CFO Insights, an online analysis tool that gives access to data on the financial performance, socio-economic context and service outcomes of every Council in England, Scotland and Wales.

CFO Insights enables comparison against others, not only nationally, but in the context of the Council's geographical and statistical neighbours. Wirral Intelligence Service uses CFO insights to create a bespoke Financial Benchmarking Report.

This report benchmarked Council spending on all key Council services against comparator groups that included statistical near neighbours, Metropolitan Districts, and Liverpool City Region Districts. We understand the latest report was provided to members of the Council's SLT in February 2024 and is actively used to support financial decision making within the Council.

Furthermore, the Council is actively developing its use of benchmarking data within its performance management arrangements. The Council Plan 2023 – 2027 is supported by a Performance Management Framework (PMF) which includes 61 performance indicators that will be benchmarked against wider data sources which will allow the Council to assess performance and identify strengths and weaknesses. Additionally, the Council's MTFS includes a series of guiding principles, one of which states 'service level spend will be benchmarked with suitable peer groups and regularly reviewed to ensure the principle of an efficient Council is being achieved.' These activities further demonstrates the Council commitment to learning from others and is good practice.

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

External Regulators – Local Area Special Educational Needs and/or Disabilities

Within our 2022/23 Auditor's Annual Report we referenced an Ofsted and the Care Quality Commission (CQC) joint inspection, conducted in September 2021, of the local area of Wirral to judge the effectiveness of the area in implementing the special educational needs and/or disabilities (SEND) reforms as set out in the Children and Families Act 2014.

As a result of the findings of this inspection the Council, and partner agencies, were required to submit a Written Statement of Action (WSOA) due to significant areas of weakness in the area's practice which were identified within ten separate areas of improvement. The Council responded and published a WSOA in March 2022, established a SEND Transformation Board with six subgroups set up to deliver improvement. As part of our work for 2023/24, we have assessed progress made by the Council in relation to areas of improvement identified within the WSOA.

In July 2023, Children, Young People and Education Committee with an update on progress of the SEND Transformation Board activity. This report stated that 57% of actions within the WSOA were deemed fully achieved and stated progress of the WSOA continues to be monitored through the WSOA Performance Group and the SEND Transformation Board. However, our work has established that no further updates on WSOA progress were provided to the Children, Young People and Education Committee during 2023/24.

We have already identified within this Auditors Annual Report that a decision was taken, during 2023/24, by the Children, Young People and Education Committee to halt the assessment of quarterly service performance reports and instead to take performance information relating to the theme of the specific Committee meeting, this lack of regular service performance data, together with the absence of progress updates in respect of the SEND Transformation Board and WSOA prevented members from having transparent oversight of key performance information and therefore members would have been unable for the majority of 2023/24 to effectively track service performance, be provided with contextual information to performance outcomes or judge the Council's progress against its service improvement commitments within the WSOA. This has been identified as a significant weakness and is included in a wider key recommendation later in this section.

We understand that in January 2024 the Council began reviewing the governance arrangements relating to progress made under the WSOA to strengthen the oversight of improvement work and ensure accountability of stakeholders.

However, on 15 May 2024 the DfE issued an improvement notice to the Council a result of poor progress against the actions and deliverables in the SEND WSOA. The notice requires the Council, and partner agencies, to revise its improvement plans to deliver appropriate and sustainable improvement, and the revised plans must cover the areas of significant concern identified in the Ofsted and CQC inspection report of 9 December 2021, including revised activity to:

1. Strengthen the quality and timeliness of EHCP assessments and annual reviews.
2. Embed meaningful co-production with parents and carers.
3. Increase parent satisfaction with the area's provision.
4. Improve the use and utility of the published local offer.
5. Improve communication with parents and carers across the area.
6. Improve the relationship between the Local Area Partnership and the Parent Carer Partnership Wirral.
7. Increase joint commissioning of services in the area.
8. Embed effective strategic oversight to ensure effectiveness of plans and provision and hold leaders, managers and partners to account.
9. Address the lack of accurate, up-to-date and useful information informing the area's plans and the impact of these actions.
10. Embed the graduated response consistently across all schools and settings.

The Improvement Notice also set out governance arrangements that should be put in place, to ensure effective oversight of the revised improvement plans, confirmed the appointment of a DfE advisor to the Council, and detailed DfE reporting and monitoring requirements. The Improvement Notice also stated the Council should also aim for actions included in the improvement plan to be delivered by the end of October 2025 or sooner.

We have been informed by the Council that measures have been taken in response to the Improvement Notice including the revision of the Local Area SEND improvement Plan, the introduction of the Local Area SEND Partnership Board (LASPB), which includes five subgroups, with new governance arrangements to strengthen the oversight of improvement work and ensure accountability of stakeholders.

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

The LASPB is responsible for:

- Setting the strategic vision for the delivery of support to children and young with SEND.
- Driving improvement that addresses areas of significant concern identified in the Local Area SEND Inspection (September 2021) and delivery of the related WSoA.
- Ensuring oversight and compliance with the requirements of the SEND Improvement Notice (May 2024)

The LASPB meets monthly and is now being chaired by the Chief Executive Officer (CEO) of the Council and membership of the board includes the Leader of the Council, Lead Member for Children and the Chair of the Health and Wellbeing Board. The LASPB is also now accountable to the Health and Well Being Board and updates reports from the LASPB will be presented to each future meeting of the Health and Wellbeing Board.

In summary we have established the Council has responded to the Improvement Notice, issued in May 2024, and put in place enhanced governance arrangements to monitor required improvements in performance through the formation of the LASPB which will be chaired by the Council's CEO.

However, during 2023/24 the Council, and its partners, failed to demonstrate sufficient level of improvement/performance in relation to SEND services, the Council has also been made aware of specific commissioned service delivery issues and the Council provided limited opportunity for members and the public to formally assess performance relating to SEND or progress against the WSoA. These factors have been identified as a significant weakness and leads to a key recommendation.

We recommend the Council needs to satisfy itself that it has the necessary organisational transformational capacity, skills and resources to ensure Local Area SEND Improvement Plan can be delivered in accordance with DfE requirements and is sufficient to drive sustainable improvement in SEND service provision and to mitigate associated SEND service delivery risks.

We also recommend the Council ensures that sufficient performance data is regularly provided to those charged with governance in relation to the Local Area SEND Improvement Plan to enable members to effectively track level of improvement and to support effective governance of this key area of service delivery.

Please refer to key recommendation 2 on pages 10 and 11.

External Regulators – Inspection of Local Authority Children's Services

Ofsted conducted an inspection of children's services in September 2023. This visit was carried out in line with the Inspection of Local Authority Children's Services (ILACS) framework and the overall judgement was 'Requires improvement to be good' which was the same outcome as the last ILACS inspection in 2019.

We have been provided with a ILACS action plan from the Council. This document details the Council plan, which had been developed in response to the seven areas of required improvement resulting from the OFSTED inspection.

The action plan included a section which stated '*Children's Services Extended Departmental Management Team have day to day responsibility for the operational delivery of the action plan. 6-weekly updates on progress, successes and barriers will be provided to the Strategic Leadership Group, then to the Corporate Operational Performance Group. Regular reporting to Wirral Safeguarding Children Partnership and the Council's Children, Young People and Education Committee are also scheduled.*'

From our review of the Children, Young People and Education Committee we cannot identify a specific report being provided to members of this Committee relating to the OFSTED ILACS inspection 2023, nor any update on the ILACS action plan progress in relation to the seven areas of required improvement despite the Committee being charged with exercising management, oversight and delivery of services to children and young people in relation to their care, wellbeing, education or health and this leads to an improvement recommended.

We recommend the Council ensures the Children, Young People and Education Committee are provided with an update of the OFSTED inspection of Children's Services 2023 and this update includes an appraisal of progress made implementing areas of required improvement.

Please refer to improvement recommendation 9 on page 59.

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

Responding to Complaints

The Council has a current complaints policy and publishes information on its website on how to raise a complaint or provide a compliment. The Council's has a two stage complaints process, and the Council aims to respond to complaints within 15 working days.

Council complaint statistics are considered by SLT, as part of their monthly assessment of key performance information. As part of our work, we have reviewed the Councils internal complaint statistic as presented to SLT in April 2024. For 2023/24 54% of stage 1 and 51% of stage 2 complaints were responded to within target timescales demonstrating slippage against the Council's desired performance. Complaints can be a source of important organisational learning, and an effective complaints procedure can help the Council make prompt adjustments when required and this is included in a wider improvement recommendation below.

As part of part of our work we have also assessed the annual summary of complaint statistics from the Local Government and Social Care Ombudsman (LGSCO) for 2023/24 which stated the LGSCO had investigated 25 complaints of which 18 were upheld representing a significant 66% reduction from the prior year. The Council's SLT also monitors complaints escalated to the LGSCO. However, the annual review letter from the LGSCO is not subject to formal member oversight and this leads to an improvement recommendation.

We recommend the Council reviews its arrangements in the management of internal complaints including considering measures to support adherence to key performance indicators. We also recommend the Council presents the annual review letter from the LGSCO, for each financial year, to the most appropriate committee.

Please refer to improvement recommendation 10 on page 60.

Partnership Working

The Council constitution, part 4 financial regulations, sets out the framework for the Council partnership arrangements that includes the following requirements:

- The approval of the Director of Finance officer and the Monitoring Officer is obtained prior to entering into a partnership agreement.
- An appraisal is undertaken which demonstrates that the risks associated with the arrangement are minimal, or that appropriate arrangements are in place to mitigate any such risks.
- The partnership agreement and arrangements will not impact adversely upon the services provided by the Council or upon its finances.

- The proposed financial contribution by the Council to the partnership can be met from existing budget provision.
- Council approval is secured for all delegations and frameworks for the proposed partnership.

The Constitution also states that statutory overview and scrutiny functions of the authority will be exercised by individual Policy and Services Committees in respect of the Council's functions, services and partnerships that they cover, and by the Policy and Resources Committee in respect of functions, services and partnerships that cover more than one Committee.

The Council's constitution demonstrates the Council has arrangements for the forming and monitoring of Council partnerships which is reasonable practice.

The Council Plan for 2023 – 2027 includes a set of guiding principles that shape how the Council will develop and implement its strategic vision, one of these principles being *'Relationships - Working with residents, partners, businesses and communities for a better Wirral'*. In support of this principle the Council Annual Governance Statement 2023/24 set out an extensive range of existing partnership agreements. Significant examples include:

- Liverpool City Region Combined Authority
- Mersey Dee Alliance
- Cheshire and Merseyside Health and Care Partnership
- Edsential Community Interest Company
- Wirral Growth Company

(Edsential Community Interest Company and Wirral Growth Company are covered in more detail later in this section).

We have been informed by the Council now that the Council Plan 2023 – 2027 has been agreed, work is currently underway to map and review the current partnership landscape, to help inform a joint strategic place vision, shared leadership and refreshed new Strategic Partnership arrangements. The Council's development of its strategic partnerships will be an area of focus for our work in 2024/25.

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

Partnership Working

Edsential

Since 2015 the Council has participated in an operational joint venture known as Edsential Community Interest Company which is jointly owned by the Council, Cheshire West and Chester Council. The company provides a range of education focused services including school meals, cleaning, residential courses, music tuition, and school governor training. The company's main source of income is from schools and parents and its operating model aim is to make a financial return after satisfying its financial obligations which can then be reinvested into schools and services as appropriate.

Edsential was impacted during the Covid-19 pandemic and subsequent lockdowns which interrupted income streams and its operating model. Shareholders provided the company with financial support during 2021/22 in the form of Covid-19 grant of £0.6m, an interest-bearing loan of £0.9m and cashflow facility of up to £2m (£0.1m so far utilised). Edsential last reported a profit in 2019/20, with a reported loss of £1.5m in 2020/21, a loss of £1.6m in 2021/22 and loss of £0.5m in 2022/23. Edsential's business plan for 2023/24 assumed a break-even position.

In consideration of the challenges and financial risks being managed by Edsential, and its shareholders, the Council conducted a review, during 2023/24, of the financial position of the company. Outcomes of this review were set out in a Edsential Draft Annual Business Plan Review and Options Report considered by the Policy and Resources Committee on 17 July 2023. The report explained that the review of the company had led to the identification of five possible options for the company as follows: In-house the service, transfer of ownership of the company to either of the shareholders, winding up the company, expansion of Edsential or continue trading as is, in line with the proposed business plan from Edsential. Each option was supported by an analysis of the advantages and benefits and underpinned by an assessment of relevant risks.

The Policy and Resources Committee recommended to adopt the option to allow Edsential to continue trading, in line with the proposed business plan, which was considered the more favourable option and the one that has the most realistic chance of leading to the repayment of the outstanding loans owed to the Council.

The Council operates a Shareholders Board which is a Sub-Committee of Policy and Resources Committee and responsible for the Council's functions as corporate shareholder of a company.

On 21 March 2024, the Shareholder Board considered the 2024/25 Edsential Business Plan Report which also updated the Committee on the company's latest financial performance for 2023/24 which forecast a profit for 2023/24 of £15k.

The Council's proactive review of its interest in Edsential represents adequate practice considering the financial challenges this company faces. The progress Edsential makes to improve its financial sustainability will require careful monitoring and oversight by the Council and we will continue to assess the performance of Edsential as part of our work in 2024/25.

Wirral Growth Company

Wirral Growth Company (WGC) is a 50:50 joint venture partnership, formed in 2019, between the Council and the developer Muse Holdings Limited and was set up to deliver key regeneration projects in the borough.

A WGC Partnership Business Plan was agreed by the Council on 24 February 2020 and a business case in respect of the Birkenhead Commercial District development was also agreed at this meeting. Operational activity began during 2021 and since this date WGC activity has been largely focused upon the Birkenhead Commercial District development.

The Economy, Regeneration and Housing Committee oversees the progress of major projects, including major building, infrastructure or other projects undertaken by the Council including those by WGC.

On 12 July 2024 Policy and Resources Committee considered a report which requested the Committee to approve the WGC accounts for year ending 31 December 2021 (retrospectively) and the year ending 31 December 2022.

The report explained the WGC accounts for year ending 31 December 2021 were erroneously submitted to Companies House in June 2022 without the formal agreement of the WGC Board and shareholders. The WGC board meeting of 27 October 2022 retrospectively approved the 2021 accounts and members of the Policy and Resources Committee were also requested to retrospectively approve the 2021 accounts.

The Council have informed us that this issue has not reoccurred in relation to 2024 WGC accounts.

Improving economy, efficiency and effectiveness (continued)

Partnership Working (continued)

The Council has received profits from WGC of £8.5m in 2022/23 and £3m in 2023/24. The Council's profits from WGC are transferred to an earmarked reserve to support future regeneration.

Adult Social Care Partnership

Our Auditor Annual Report 2022/23 detailed the Council requirement to in-house adult social care services that had formally been provided by Wirral Community Health and Care NHS Foundation Trust (WCHCFT) since 2017.

On 6 March 2023, the Adult Social Care and Public Health Committee considered a report regarding social care services currently delivered by WCHCFT and the pending transfer of these services back to the Council. The report explained a Council project team has been deployed, and the required workstreams have been identified to achieve the transfer of service which included 215 staff. The proposed transfer date being 1 July 2023. The report also set out some of the financial implications of the transfer and stated the following: *'The current financial year agreed contract value of £10.2m annually is mainly staff costs and is paid by instalments. This will cease at the point of transfer and the necessary arrangements will be made to include the service costs within the Adult Care and Health budget structure. It has been identified that there are likely to be costs associated with the transfer arrangements in the following areas, ICT, estates and pensions and these will be determined as the workstreams progress throughout the planning period.'* We note the report did not include any detailed cost benefit analysis of the transfer.

The Council has provided us with an internal project closure report relating to the transfer of social care service from WCHCFT to the Council dated 1 August 2023. This report confirmed the service had successfully been transferred on 1 July 2023. The project closure report stated a formal business case was not developed for this project so there was no specified financial case to assess, however the report did detail the transfer had resulted in £0.2m of ICT and asset costs, with the report explaining it was anticipated that staffing costs will be in line with the budget allocated when staff were employed by WCHCFT, however, this would need to be confirmed alongside any pension strain.

The Council can demonstrate it planned for the transfer of social services formally provided by WCHCFT but this planning did not include a financial business case or cost benefit analysis which would normally be expected in consideration of the size of the service being transferred and this leads to an improvement recommendation. We recommend the Council provides an update report to the Adult Social Care and Public Health Committee in respect of the service transfer from WCHCFT and for this report to include a full assessment of the financial implications of the transfer to the Council.

Please refer to improvement recommendation 11 on page 61.



Improving economy, efficiency and effectiveness (continued)

Procurement and contract management

As part of our value for money assessments we have only reviewed main elements of the procurement and contract management arrangements in place at the Council. We have not undertaken any work to check compliance with these arrangements through review of specific samples of contracts, procurement exercises or purchase orders. We would also refer to page 2 of this report which further clarifies the scope of our work.

The rules governing public procurement are changing following the introduction of the new Procurement Act 2023. The government at the time stated the Procurement Act 2023, due to be enacted for February 2025, will bring a range of benefits, including:

- A simpler and more flexible commercial system that better meets our country's needs while remaining compliant with our international obligations.
- Opening up public procurement to new entrants such as small businesses and social enterprises so that they can compete for and win more public contracts.
- Taking tougher action on underperforming suppliers and excluding suppliers who pose unacceptable risks.
- Embedding transparency throughout the commercial lifecycle so that the spending of taxpayers' money can be properly scrutinised.

The changing legislative framework will require the Council, and others within the sector, to review procurement arrangements, guidance, and policies to ensure compliance with the new Act.

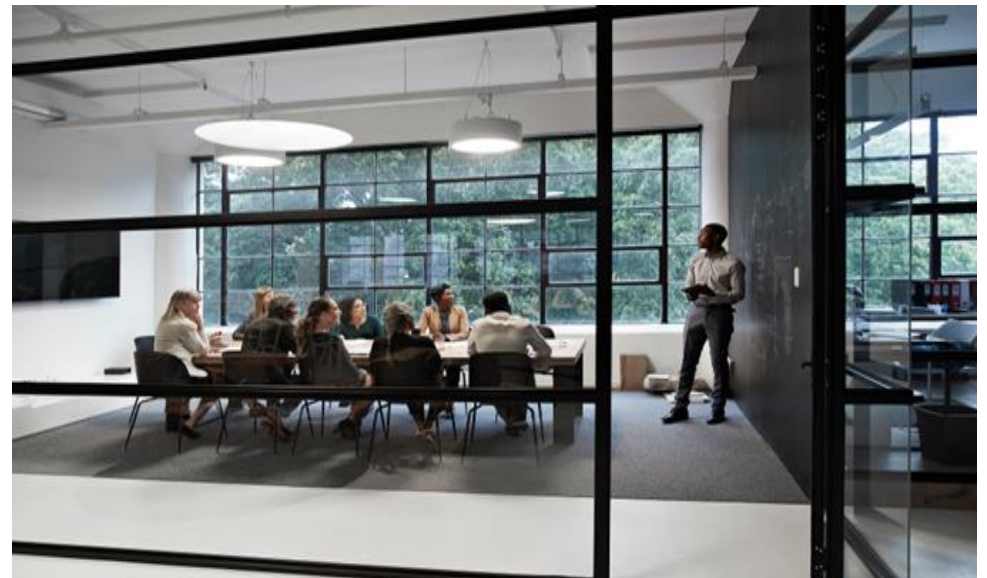
The Council has in place a Procurement Strategy 2023, which is underpinned by the Council's Contract Procedure Rules (CPR's) which form part of the Council's constitution (part 4, section 6). The CPR's provide rules and guidance to how Council procurement decisions are made and implemented to achieve Best Value and explain the responsibilities of officers and members in the procurement process and the implications of non-adherence. The Council has informed us that work is underway to update the Council's Contract Procedure Rules to align with the new Procurement Act 2023.

The Council's constitution states the Council's CPR's should be reviewed every two years and we have established the last review was conducted on 27 June 2022. We consider that due the importance of the CPR's in supporting the Council to secure Value for Money in procurement an annual review would be more appropriate and in line with best practice. We also consider the Council needs to conclude its current review, with some urgency, to ensure the CPR's are compliant with the new Procurement Act 2023.

Although we recognise the Council Procurement Strategy 2023 doesn't specifically set out legislative requirements, we consider it should also be reviewed by the Council to ensure compliance with any new requirements of the Procurement Act 2023.

Additionally, the Council has informed us that procurement team staff are receiving technical training in relation to the new Procurement Act 2023, but no specific training or awareness is being planned for wider staff involved in matters of procurement, as it is considered sufficient for the specialist team to receive training as this team centrally manages all procurements that have a value of £25k or above.

In consideration of the implementation of the new Procurement Act 2023 and the planned changes in the Council's CPR's we consider the Council should disseminate further training to all officers that have direct involvement in procurement matters to ensure such changes are understood and this training could further support procurement compliance and provide an opportunity to reinforce wider procurement processes and procedures. These recommendations are included in a wider improvement recommendation later in this section.



Improving economy, efficiency and effectiveness (continued)

Procurement and contract management

The Council's Annual Governance Statement for 2022/23 reported a significant governance issue relating to procurement compliance. We have also identified that two internal audits, conducted within 2023/24, which were given an organisational risk rating of 'major' included high priority recommendations relating to procurement and contract management.

One of the internal audit reports identified that a specific contract, because of the procedures followed by the service, will not deliver value for money for a specified period, underlining our earlier observation of wider training needs in relation to procurement process, additionally this internal audit report referenced issues in relation to ongoing contract management. We have been informed by the Council that once a procurement is in place services are responsible for onward contract management and the findings of internal audit do indicate services could benefit from training specifically in relation to contract management requirements and best practice. This is included in a wider improvement recommendation later in this section.

Our work has established that during 2023/24 the Council has taken action to drive improvements in procurement practices. In July 2023, the Council appointed a new senior officer to lead a programme of transformation, within the procurement service, which the Council states has resulted in the following key changes during 2023/24:

- A suitably resourced and skilled procurement team that provides technical support and assistance for all procurements over £25k.
- New procurement working practices and procedures introduced, and core procurement systems optimised including introduction of further checks and balances.
- Enhanced levels of awareness regarding matters of procurement compliance within the organisation.
- Procurement officers directly supporting services – business partner approach with procurement officers embedded within services.

The Council's draft Annual Governance Statement for 2023/24 states that there has been significant improvement in key areas, of procurement practice and compliance, during 2023/24 and this has been also corroborated from our interviews with senior Council officers.

The Council have also informed us that procurement contract exceptions and breaches (where normal procurement processes cannot or have not been applied) have significantly reduced on average by 72% in 2023/24 in comparison to the prior year with the downward trend continuing in 2024/25.

The reduction of contract exceptions and breaches, over a relatively short time being, provides further evidence of improved procurement practices and compliance and is indicative of the impact of the Council's action to improve this area of Council activity.

Contract exceptions and breaches are reported internally to the senior leadership team however a formal annual report of contract exceptions and breaches to members is not currently in place and this would increase transparency and oversight of procurement compliance and is included in a wider improvement recommendation below.

We acknowledge the Council, during 2023/24, has taken significant steps to develop and improve procurement practices within the Council and this work is ongoing. However, we have identified areas that which could be enhanced even further. We recommended the Council further strengthens its procurement and contract management arrangements by taking the following actions:

- Conclude its current review, with some urgency, to ensure the Council's Contract Procedure Rules, and the Procurement Strategy 2023, are compliant with the new Procurement Act 2023. Thereafter, conduct an annual review of the Council's Contract Procedure Rules.
- Disseminate to officers, in addition to members of the procurement team, further information and guidance in relation to the new Procurement Act 2023 and any subsequent changes to the Council's Contract Procedure Rules and the Procurement Strategy 2023.
- Provide contract management training to relevant officers outside of the procurement team.
- Report periodically (at least annually) to members matters relating to contract exceptions.

Please refer to improvement recommendation 12 on page 62.

Conclusion

We have identified one significant weaknesses in arrangements, for 2023/24, in relations to improving economy, efficiency and effectiveness. This is explained in more detail on pages 10 and 11. Additionally, we have made five improvement recommendations set out on pages 58 to 62.

Improvement recommendations

Improvement Recommendation 8

We recommend the Council undertakes a review, during 2024/25 of operational performance data being provided to the Council's Policy and Services Committees to:

- Ensure members are provided with regular and relevant operational performance reports covering all services within the committee's remit.
- Committee reports are aligned to the proposed Council Plan 2023 – 2027 performance reporting.

Improvement opportunity identified

This recommendation seeks to enhance existing performance reporting and oversight arrangements even further.

Summary findings

- We have established that during 2023/24 the Adult Social Care and Public Health Committee and the Environment, Climate Emergency and Transport Committee did consider regular operational performance reports however quarterly reports were not considered regularly by Tourism, Communities, Culture and Leisure Committee (although this Committee received two performance reports in relation to community safety and leisure as per their request), Children, Young People and Education Committee nor the Economy Regeneration and Housing Committee.

Criteria impacted



Improving economy, efficiency and effectiveness

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

Arrangements for reporting operational performance data to Service Committees are under continual review. As acknowledged in the report findings, full quarterly performance reporting for CYPE Committee was reinstated in July 2024, and regular performance reporting is now in place for all Committees apart from Economy, Regeneration and Housing Committee, with performance reports for this Committee having now been developed. The new Director of Regeneration will be briefed on performance reporting to Committee and discussion with Members regarding scheduling the performance reporting to Committee.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit and Risk Management Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 9

We recommend the Council ensures the Children, Young People and Education Committee are provided with an update of the OFSTED inspection of Children's Services 2023 and this update include an appraisal of progress made implementing areas of required improvement.

Improvement opportunity identified

The recommendation seeks to enhance existing oversight of service improvement.

Summary findings

Ofsted conducted an inspection of children's services in September 2023. The overall judgement was 'Requires improvement to be good', which was the same judgement when last inspected in 2019. The Children, Young People and Education Committee are yet to be provided with an update of inspection and steps being taken by the Council to improve service delivery.

Criteria impacted



Improving economy, efficiency and effectiveness

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

The Children, Young People and Education Committee receive a regular update on progress made following Ofsted inspection, this included a full briefing session in October 2024, following the Focused Visit of September 2024. A Children's Services Assurance Board is being implemented to meet on a 6-weekly basis to undertake deep dive activity on 8 key thematic areas for inspection. Deep Dives including Elected Members have been established and regular reporting to the Children, Young People and Education Committee is detailed in the Forward Plan, aligned with the priorities of the Council Plan.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit and Risk Management Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 10

We recommend the Council reviews its arrangements in the management of internal complaints including considering measures to support adherence to key performance indicators. We also recommend the Council presents the annual review letter from the LGSCO, for each financial year, to the most appropriate committee.

Improvement opportunity identified

The recommendation seeks to build on the Council's monitoring and oversight of complaints even further.

Summary findings

The Council's has in place arrangements for the monitoring of complaints including those escalated to the LGSCO. However internal complaint response times are not optimal and the annual review letter from the LGSCO is not subject to formal member oversight.

Criteria impacted



Improving economy, efficiency and effectiveness

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

The LGSCO currently send a copy of the Annual Review Letter to the Chief Executive, the Leader of the Council, and the Chair of the Scrutiny Committee with oversight of complaints. This will be presented to the Scrutiny Committee in future on an annual basis.

Local Councils are encouraged to adopt the newly launched Complaints Handling Code as soon as they are able to do so, with the LGSCO intending to start considering the Code as part of their processes from April 2026. Wirral will adopt the Code into working practices, including the new target timescales for responding to complaints, and this has been discussed by the Senior Leadership Team (SLT).

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit and Risk Management Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 11

We recommend the Council provides an update report to the Adult Social Care and Public Health Committee in respect of the service transfer from WCHCFT and for this report to include a full assessment of the financial implications of the transfer to the Council.

Improvement opportunity identified

The recommendation seeks to clarify the financial implications of the transfer of social care services back to the Council from an external provider.

Summary findings

The Council's plans to transfer services from WCHCFT did not include a business plan or a cost benefit analysis and therefore members have not been able to assess the financial implications of the service transfer.

Criteria impacted



Improving economy, efficiency and effectiveness

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

The transfer was always about service delivery with only immaterial one-off cost implications and as Committee were regularly updated during the transfer process and gave Director delegation to make the necessary arrangements for the transfer, we feel a retrospective report as recommended would be of little benefit. However, the Council will consider providing an update report to the Adult Social Care and Public Health Committee in March 2025.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit and Risk Management Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

We recommended the Council further strengthens its procurement and contract management arrangements by taking the following actions:

Improvement Recommendation 12

- Conclude its current review, with some urgency, to ensure the Council's Contract Procedure Rules, and the Procurement Strategy 2023, are compliant with the new Procurement Act 2023. Thereafter, conduct an annual review of the Council's Contract Procedure Rules.
- Disseminate to officers, in addition to members of the procurement team, further information and guidance in relation to the new Procurement Act 2023 and any subsequent changes to the Council's Contract Procedure Rules and the Procurement Strategy 2023.
- Provide contract management training to relevant officers outside of the procurement team.
- Report periodically (at least annually) to members matters relating to contract exceptions.

Improvement opportunity identified

The Council has taken steps, during 2023/24, to drive improvements in matters relating to procurement. This recommendation seeks to enhance existing arrangements even further and support ongoing procurement and contract management compliance.

Summary findings

- The Council's review of its Contract Procedure Rules, to accommodate the new Procurement Act 2023, needs to be completed and agreed prior to the implementation of the new Procurement Act. The Council formally reviews its Contract Procedure Rules every two years, but a more frequent review would support the Council in ensuring these rules are optimal in supporting the Council to secure Value for Money in procurement.
- The Council is planning training in respect of the new Procurement Act 2023 for members of the procurement team however further information and guidance to all officers, that have direct involvement in procurement matters, could further support procurement compliance and provide an opportunity to reinforce wider procurement processes and procedures.
- Internal audit have identified issues relating to the management of specific contracts, further training to officers with contract management responsibilities could support effective practices.
- Contract exceptions are reported to members annually.

Criteria impacted



Improving economy, efficiency and effectiveness

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

The Contract Procedure Rules (CPR) have been updated to also include the requirements of the Procurement Act and will be reported to Audit & Risk Management Committee for approval in January 2025 to implement the new procedures. The CPR will thereafter be reviewed annually. All Procurement staff have undergone the Practitioner Training for the Procurement Act 2023, and high-level training will be rolled out on the FLO platform in early 2025 for all commissioners responsible for contract management within services. An update to exceptions was presented to Audit & Risk Management Committee in October 2024 and will be included in the regular procurement updates to members.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit and Risk Management Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 Given the continued level of financial stress the Council is facing, all members need to ensure that there is a robust response to the financial matters highlighted and that officers are supported in making the changes needed.	Key	March 2024	<p>The Council is working very closely with members on service and statutory committees to ensure all key financial matters are addressed. 2023/24 has seen an increased involvement in member engagement in such matters and decision making has been collaborative throughout key decisions.</p> <p>Further work through directors will continue to ensure financial risks are identified and risk to the reserves is understood.</p> <p>In December 2022, the statutory override that separated DSG deficits from the authority's wider finances was extended for a further 3 years and is due to expire at the end of 2025/26. The Schools Forum on 23 January 2024 agreed that schools and the authority will endeavour to find further mitigations during 2024/25.</p> <p>In a recent letter to P&R, the Panel chair said they are now reassured the Council "will be able to set a balanced budget for 2024/25" and that the gaps for the subsequent two years will be "manageable and that savings will be identified". The Chair concluded by noting that once the Council has set a budget for 2024-25, the Panel anticipates it will be able to stand down.</p>	No	Yes. Please refer to statutory recommendation 1 on page 6 and key recommendation 1 on page 9 of this report.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
2 The Council must ensure there is a robust financial governance framework around the delivery of its Capital Programme. The impact and risk of slippage should be fully assessed and documented as part of the Capital Programme planning process.	Improvement	March 2024	The Capital Programme goes through quarterly reviews with the respective Directorates and challenges are made to Directors as to the viability and deliverability of the programme. A number of factors that are outside the Authority's control can often contribute to slippage and slippage is managed with careful consideration to cost and deliverability with the respective Directors and Officers. The Council takes a prudent approach to borrowing for capital to avoid unnecessary costs and only borrows as required. Work is on-going during 2024/25 to refine the capital programme approach to ensure greater focus is given to the profiling of projects which should provide improved reporting and performance against budget.	Yes.	No.
3 The Council should continue to roll out and embed the business partner model, ensuring that all budget holders have the knowledge and support to ensure this delivers effective financial management. Robust oversight will include timely and transparent reporting to senior management and elected members.	Improvement	March 2024	Finance is going through a restructure to strengthen the support to budget holders, and this will start to demonstrate improvement throughout 2024/25. The appointment of three Heads of Finance will further support the partnering model and allow greater financial support and financial ownership of directorates and budget holders. This is further complimented with our Enterprise Performance Management (EPM) module which was launched on Oracle Fusion from December 2023. This module supports budget forecasting and the management of spend in real time. With this accurate, up to the minute data, budget holders can enhance their services and provide further value for money for our residents. An online finance training module has also been introduced which is compulsory for all Council staff to complete.	Partially.	We have raised an associated improvement recommendation in the financial governance section of this report.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
4 To further enhance and strengthen the risk management arrangements in place, the Council should consider an overarching risk surrounding significant and / or complex commercial decisions and Programme delivery.	Improvement	March 2024	The Corporate Risks undergo regular review by SLT, Directors and members, and SLT consider including additional risks escalated from Directorate Risk Registers and Programme or Projects. The risks around commercial investment and regeneration programmes are included in these discussions and will continue to be. With changes in the Regeneration and Place Directorate Management Team since December 2022, there has been a strengthening in the programme management, governance and understanding of the risks and risk appetite of the organisation. This is alongside the work undertaken for the review and project re-prioritisation as part of the Pathfinder Simplification funding bid, and progress with the Local Plan through 2023. A report is to be presented to ARMC on 26th March 2024 to provide an oversight of the arrangements.	Yes. The Audit and Risk Management Committee reviewed all Regeneration and Place directorate risks and their management on 26 March 2024.	No
5 The Council should enhance its reporting of Internal Audit plan progress by including an overview of progress of completion against planned reviews along with the assurance opinion that has been concluded.	Improvement	March 2024	New reporting will encompass some form of real time reporting as well as formal reporting to Committee meetings and is scheduled for implementation during 2023/24.	Yes	No
6 The Council should ensure the performance management framework is approved and implemented as soon as possible to enable Council Plan performance to be reported and monitored.	Improvement	March 2024	Performance monitoring was produced for the Wirral Plan but unfortunately it was not published in Committee papers. However, we did have a Wirral Plan Performance Management Framework which was in place. The new Council Plan Performance Management Framework is in place, approved by SLT and scheduled for Committee in March 2024.	Yes	No. Council Plan 2023 – 2027 performance reporting will commence from September 2024.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
7	<p>To enhance and improve the arrangements for reporting on directorate performance, the Council should:</p> <ul style="list-style-type: none"> Ensure all performance reports include target performance scores, supported by a RAG rated assessment to provide assurance of where targets are being achieved and to highlight areas of concern or under performance. Record where further actions have been identified to be taken, particularly in respect of those targets that are not meeting expectations. 	Improvement	March 2024	<p>There are already some targets in place, and more are currently being worked on.</p> <p>Although not necessarily the case that performance cannot be monitored without targets, management will review the reporting of targets and performance against targets where appropriate in liaison with SLT.</p>	Yes	No. However an improvement recommendation has been made in relation to operational performance data being provided to the Council's Policy and Services Committees.
8	The Council will need to ensure that its assumptions around commercial income and growth remain prudent and that it maintains a robust framework around its capital programme and investment plans to ensure future commercial viability remains positive.	Improvement	March 2024	The Council takes seriously any financial arrangement it enters into and were necessary the appropriate expert advice is taken. We are working with an external commercial management company to continuously monitor and assess so that we can minimise the risks, whilst maximising the opportunities within our commercial estate.	Yes	No. But a new improvement recommendation has been raised specifically in relation to the Council's current commercial property valuations.
9	The Council should continue to check and challenge requests made to waive Contract Procedure Rules.	Improvement	March 2024	The Procurement Team has been restructured and recruitment is underway at present (Q4 2023/24) however it should be noted that securing adequately skilled staff has been challenging and re-engagement with the market, alongside a training programme for current staff, has been necessary in trying to implement the new structure; the transformation programme will take time to complete.	Yes	No. But a new improvement recommendation has been raised in relation to procurement and contract management.

Opinion on the financial statements



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 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

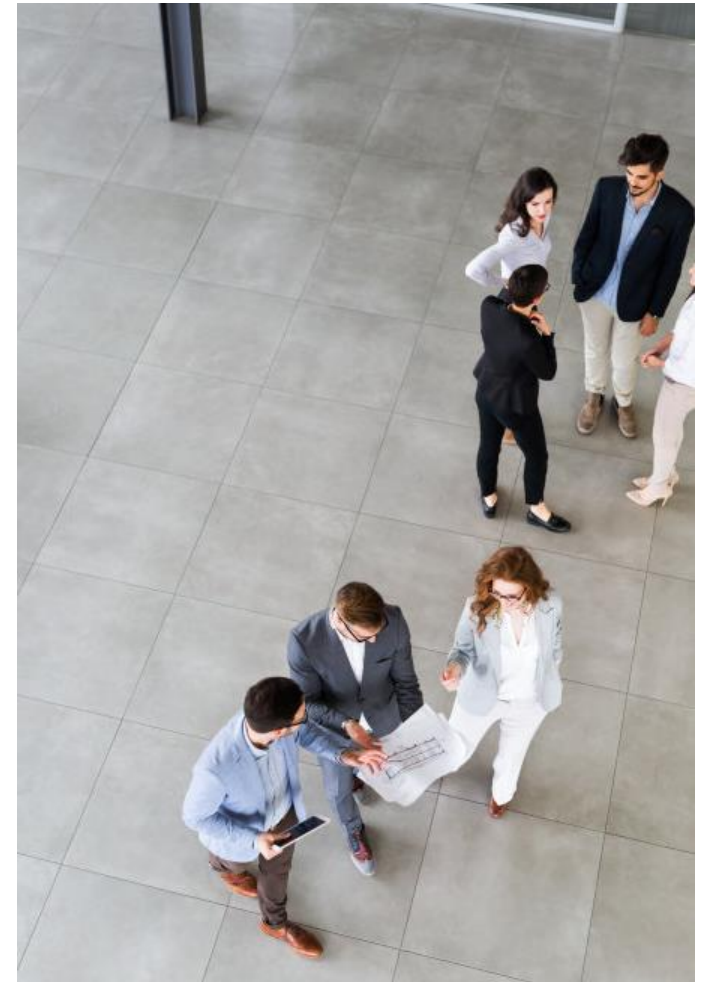
- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

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

Audit opinion on the financial statements

We issued an unqualified audit opinion on the Council's financial statements for 2023/24 on 28 February 2025.

Further information on our audit of the financial statements is set out overleaf.



Opinion on the financial statements



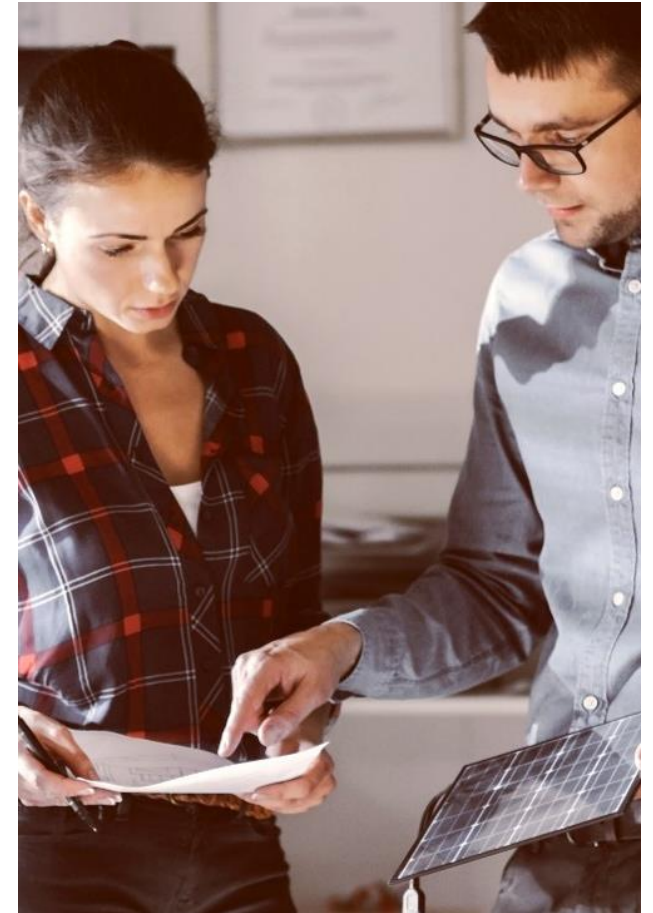
Timescale for the audit of the financial statements

We issued an unqualified audit opinion on the Council's financial statements for 2023/24 on 28 February 2025

Findings from the audit of the financial statements

We have not identified any adjustments to the financial statements that have resulted in adjustments to the Council's Comprehensive Income and Expenditure Statement or the Council's useable reserves.

We have identified a small number of disclosure and presentational adjustments which are detailed in the Audit Finding Report



Other reporting requirements

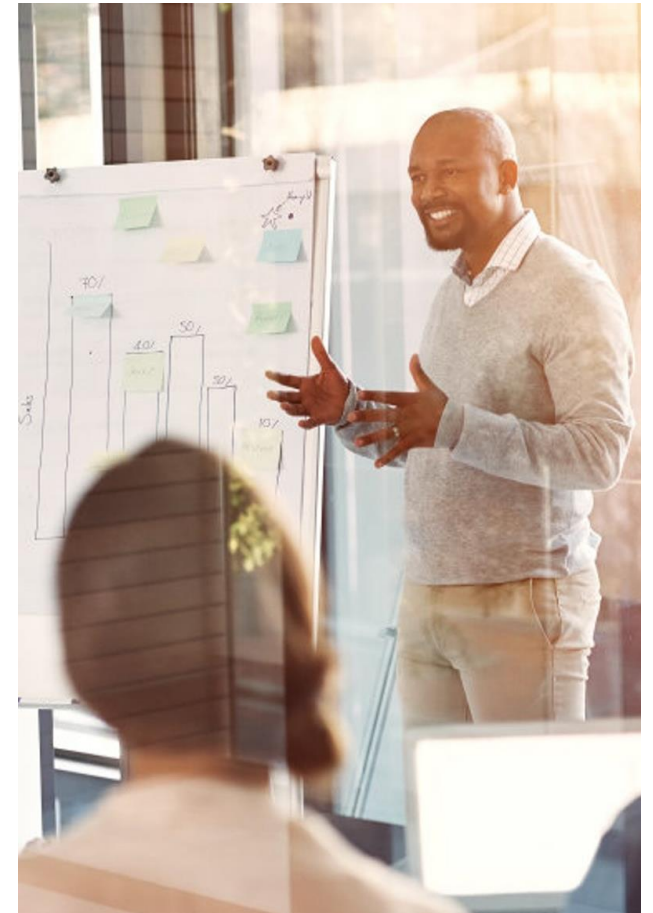


Audit Findings Report

We presented our Audit Findings Report to the Audit and Risk Management Committee at their meeting on 28 January 2025.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.



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.

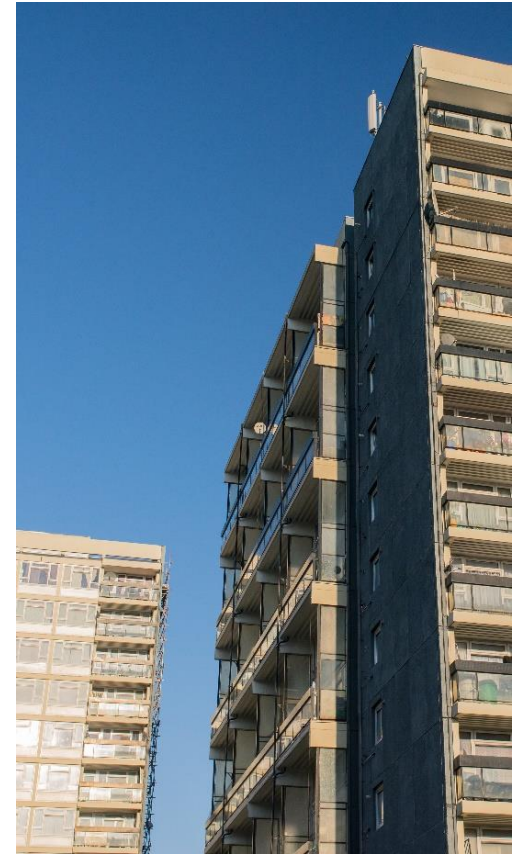
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	Yes	6 - 8
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	9 – 11
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	32 - 35 44 – 46 58 - 62

