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Audit and Governance Board

Wednesday, 20 November 2024 at 6.30 p.m.
Civic Suite, Town Hall, Runcorn

S. Young

Chief Executive

BOARD MEMBERSHIP

Councillor Rob Polhill (Chair)	Labour
Councillor Andrea Wall (Vice-Chair)	Labour
Councillor John Abbott	Labour
Councillor Victoria Begg	Labour
Councillor Neil Connolly	Labour
Councillor Eddie Dourley	Labour
Councillor Robert Gilligan	Labour
Councillor Tony McDermott	Labour
Councillor Norman Plumpton Walsh	Labour
Councillor Margaret Ratcliffe	Liberal Democrats
Councillor Pamela Wallace	Labour

Please contact Gill Ferguson on 0151 511 8059 or e-mail gill.ferguson@halton.gov.uk for further information.

The next meeting of the Board is on Wednesday, 19 March 2025

ITEMS TO BE DEALT WITH
IN THE PRESENCE OF THE PRESS AND PUBLIC

Part I

In accordance with the Health and Safety at Work Act the Council is required to notify those attending meetings of the fire evacuation procedures. A copy has previously been circulated to Members and instructions are located in all rooms within the Civic block.

Agenda Item 1

AUDIT AND GOVERNANCE BOARD

At a meeting of the Audit and Governance Board held on Wednesday, 25 September 2024 at The Board Room - Municipal Building, Widnes

Present: Councillors Polhill (Chair), Wall (Vice-Chair), Abbott, Begg, Connolly, Dourley, Gilligan, McDermott and Wallace

Apologies for Absence: Councillor Ratcliffe

Absence declared on Council business: None

Officers present: E. Dawson, M. Murphy, K. Keane, A. Jones, S. Baker and M. Guest

Also in attendance: None

ITEMS DEALT WITH UNDER DUTIES EXERCISABLE BY THE BOARD

Action

AGB9 MINUTES

The Minutes of the meeting held on 26 June 2024, were taken as read and signed as a correct record.

AGB10 INTERNAL AUDIT PEER REVIEW

The Board considered a report from the Head of Audit, Procurement and Operational Finance, which presented the Internal Audit Peer Review.

It was a requirement of the Public Sector Internal Audit Standards (PSIAS) that an external assessment of the Council's internal audit arrangements should carried out every 5 years. To fulfil this requirement, an independent peer review of the Council's internal audit arrangements was conducted in February 2024 by senior internal audit representatives from other North West authorities. *The Halton Borough Council Peer Review of Internal Audit Service Against the UK Public Internal Audit Standards* was appended to the report. It was noted that the purpose of the external assessment was to help improve delivery of the audit service and to establish whether governance requirements relating to the provision of the service were embedded.

The approach taken, findings and agreed actions from this review were set out within the report, which concluded that the Council's internal audit arrangements confirmed to the PSIAS. It was noted that many positive observations and good practices were identified by the review team and any recommendations made were intended to add value by strengthening the existing arrangements further. Officers advised that all recommendations were agreed and would be implemented.

RESOLVED: That Members note the outcome of the external assessment of the Council's Integral Audit function against the Public Sector Internal Audit Standards.

AGB11 EXTERNAL AUDIT FINANCIAL SUSTAINABILITY LETTER

The Board considered a letter received by the Council from the External Auditor (Grant Thornton UK LLP) regarding the Council's financial sustainability. The letter raised the External Auditor's concerns regarding significant weaknesses in the Council's arrangements for securing value for money.

It was noted that the Chief Executive and Director of Finance had met with the External Auditor to discuss the issues raised within the letter. The Council was aware of its financial position and ongoing financial challenges and was taking various steps to address them as a matter of urgency, whilst also continuing a dialogue with Government.

The comments made by Members regarding the timing of the letter were noted. It was confirmed that this would be taken to the Labour Group meeting on 1 October.

RESOLVED: That the contents of the letter from Grant Thornton UK LLP shown in the appendix be noted.

AGB12 ANTI FRAUD AND CORRUPTION UPDATE

The Board considered a report of the Operational Director, Finance, which provided an annual update on developments in regard to the Council's anti-fraud and anti-corruption activity.

It was reported that the Board was responsible for the monitoring and reviewing the adequacy of the Council's anti-fraud and anti-corruption arrangements, which was a key aspect of the Council's risk management, control and governance framework.

The Board considered information relating to the following activities:

- The fraud risk landscape;
- Reported fraud investigations from 2023/24;
- HR related investigations from 2023/24;
- Whistleblowing complaints received and action taken;
- An update on the National Fraud Initiative;
- Details of fraud investigation related information reported under the Transparency Code;
- Details of ongoing and planned anti-fraud work; and
- Details of the Council's suite of anti-fraud and anti-corruption related policies.

RESOLVED: That

1) the annual update report on anti-fraud and corruption related activity be noted;

2) the counter fraud work being undertaken be supported; and

3) the minor change made to the Whistleblowing Policy be noted.

AGB13 2023/24 EXTERNAL AUDITOR'S ANNUAL REPORT

Due to the unforeseen absence of the External Auditor, this item was deferred to the November meeting.

AGB14 ANNUAL GOVERNANCE STATEMENT 2023-24

Due to the unforeseen absence of the External Auditor, this item was deferred to the November meeting.

AGB15 2023/24 STATEMENT OF ACCOUNTS, AUDIT FINDINGS REPORT AND LETTER OF REPRESENTATION

Due to the unforeseen absence of the External Auditor, this item was deferred to the November meeting.

AGB16 SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

The Board considered:

1) whether members of the press and public should be excluded from the meeting of the Board during consideration of the following items of business in

accordance with Sub-Section 4 of Section 100A of the Local Government Act 1972, because it was likely that, in view of the nature of the business to be considered, exempt information would be disclosed, being information defined in Section 100 (1) and paragraph 3 of Schedule 12A of the Local Government Act 1972; and

2) whether the disclosure of information was in the public interest, whether any relevant exemptions were applicable and whether, when applying the public interest test and exemptions, the public interest in maintaining the exemption outweighed that in disclosing the information.

RESOLVED: That, as in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, members of the press and public be excluded from the meeting during consideration of the following item of business, in accordance with Sub-Section 4 of Section 100A of the Local Government Act 1972 because it was likely that, in view of the nature of the business, exempt information would be disclosed, being information defined in Section 100 (1) and paragraph 3 of Schedule 12A of the Local Government Act 1972.

AGB17 INTERNAL AUDIT PROGRESS REPORT

The Board received a report from the Head of Audit, Procurement and Operational Finance, updating Members on the internal audit activity since the last progress report to the Board on 26 June 2024. It also highlighted any matters that were relevant to the Board’s responsibilities as the Council’s Audit Committee.

Members were referred to appendix one, which listed all the planned work for the year and its current status. The schedule of audits had been updated to reflect the progress made in completing audits since the last update to the Board. By the end of August 2024, 429 days of audit work had been completed, which represented 37% of the total planned days for the year.

Appended to the report were the executive summaries of the reports issued numbering 2 to 12, as listed in the report. Tthe Board expressed concerns at the findings relating to the audit of Children’s Services Commissioning and agreed that a further audit of the area be carried out as part of the 2025/26 Internal Audit Plan.

RESOLVED: That the Internal Audit Progress Report and comments made be noted.	Head of Audit, Procurement & Operational Finance

Meeting ended at 7.15 p.m.

Agenda Item 3

REPORT TO:	Audit & Governance Board
DATE:	20 November 2024
REPORTING OFFICER:	Corporate Director – Chief Executive's Delivery Unit
PORTFOLIO:	Corporate Services
SUBJECT:	Transformation Programme Governance Arrangements
WARD(S)	Borough-wide

1.0 **PURPOSE OF THE REPORT**

1.1 To inform the Board of the governance arrangements for the Council's Transformation Programme.

2.0 **RECOMMENDATION: That the report is noted.**

3.0 **SUPPORTING INFORMATION**

3.1 The Council's Transformation Programme started to operate on 1st April 2023, since when it has grown in both scope and complexity. The programme is in place until 31st March 2026.

3.2 The governance of the Programme primarily sat with the Executive Board, who acted as the 'Programme Board'.

3.3 As the programme entered its second year of operation, it was noted that the breadth and depth of the projects within the programme had grown, the monitoring of project performance, interface with other disciplines within the Council, and the monitoring and management of benefits, risks and issues has become more complex.

3.4 In August 2024 a Transformation Programme Board was established. This is formed of a working party consisting of the ten Executive Board members. A number of officers also form part of the Transformation Programme Board to facilitate and support its operation.

3.5 Where a project sits within an Executive Portfolio, the Portfolio Holder assumes the role of the 'Lead Member' within that transformation project.

3.6 A level of scrutiny operates across the projects within the programme through Topic Groups, led by the Chairs of relevant Policy & Performance Boards. Any recommendations emerging from this scrutiny are referred to the Transformation Programme Board, via the Lead Member for the respective project.

3.7 The Transformation Programme Board is in place to provide governance and oversight and has no delegated authority within the scope of the Council's Constitution. The Board may make recommendations to the Executive Board as and when required.

3.8 Where a formal decision is required following the Board's consideration of any matter within its purview, that decision is referred to be included in the agenda of the next available meeting of the Executive Board.

3.9 The Terms of Reference for the Transformation Programme Board are appended to this report.

4.0 POLICY IMPLICATIONS

4.1 There are no direct policy implications arising from this proposal.

5.0 FINANCIAL IMPLICATIONS

5.1 The oversight provided by the Transformation Programme Board is a key element in the achievement of financial benefits within the Transformation Programme, which in turn contributes to the Councils financial standing.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Improving Health, Promoting Wellbeing and Supporting Greater Independence

The Transformation Programme has links to the delivery of all corporate priorities.

6.2 Building a Strong, Sustainable Local Economy

The Transformation Programme has links to the delivery of all corporate priorities.

6.3 Supporting Children, Young People and Families

The Transformation Programme has links to the delivery of all corporate priorities.

6.4 Tackling Inequality and Helping Those Who Are Most In Need

The Transformation Programme has links to the delivery of all corporate priorities.

6.5 Working Towards a Greener Future

The Transformation Programme has links to the delivery of all corporate priorities.

6.6 Valuing and Appreciating Halton and Our Community

The Transformation Programme has links to the delivery of all corporate priorities.

7.0 **RISK ANALYSIS**

7.1 Failure to apply a sufficient level of governance and oversight to the Transformation Programme may result in opportunities being missed, financial and non-financial benefits not being achieved, with existing and future service delivery being compromised.

7.2 The Transformation Programme Board will monitor the programme risk register as part of its oversight role.

8.0 **EQUALITY AND DIVERSITY ISSUES**

8.1 There is the possibility of the emergence of Equality & Diversity issues across the Council's service portfolio where transformation project work is undertaken. These issues would be addressed on a case-by-case basis and monitored by the Transformation Programme Board.

9.0 **CLIMATE CHANGE**

9.1 There are no direct climate change implications.

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

10.1 None under the meaning of the Act.

REIMAGINE HALTON

Small steps, big changes

TERMS OF REFERENCE

RE-IMAGINE HALTON TRANSFORMATION PROGRAMME BOARD

Board: Reimagine Halton Transformation Programme Board

Status: Temporary until 31st March 2026

1.0 The Constitution

The Re-imagine Halton Programme Board is constituted of the ten Executive Members of the Council (refer to Membership section below).

The Board operates as a Working Party, set up following a decision of the Executive Board in July 2024.

The Board is supported and facilitated by a number of officer members (refer to Membership section below).

The Board is in place to provide governance and oversight and has no delegated authority within the scope of the Council's Constitution. Where a formal decision is required following the Board's consideration of any matter within its purview, that decision will be referred to be included in the agenda of the next available meeting of the Executive Board.

The Board may receive recommendations from Policy & Performance Board Topic Groups as part of the Council's scrutiny arrangements pertaining to Re-imagine Halton Transformation projects.

2.0 Scope and Purpose

The Re-imagine Halton Programme Board is the governance body responsible for monitoring of all initiatives within the Council's Reimagine Halton Transformation Programme portfolio. They shall be responsible for overseeing and supporting the delivery of Reimagine Halton Transformation Programme projects agreed by Full Council on 8 March 2023, as well as any additional projects added to the portfolio at the agreement of the board.

Current projects include;

Project Area	Transformation Initiative Owner	Lead Member
Children's and SEND	Director of Children's Services	Cllr Tom McInerney
Adults	Operational Director, Commissioning and Provision	Cllr Angela Ball
Employer of Choice	Divisional Manager, HR Service Service Manager Organisational Development	Cllr Mark Dennett
Customer Journey (including Data Services)	Operational Director, ICT & Support Services	Cllr Mark Dennett
Accelerating Growth	Operational Director Policy, Planning & Transportation	Cllr Dave Thompson
Waste *	Divisional Manager, Environment Services	Cllr Stef Nelson

* Currently being monitored as business as usual

The purpose of the board includes but is not limited to;

- Providing oversight, support and challenge to Transformation Initiative Owners, the Transformation Delivery Unit and each other as Lead Members
- Challenging the pace and impact of the Council's transformation programme; financial and non-financial benefits
- Holding to account Lead Members, Transformation Initiative Owners and the Transformation Delivery Unit for ensuring delivery at pace of the agreed Project Delivery Plans
- Providing a steer and making recommendations to meet strategic and political priorities
- Assessing the feasibility and appraisal of options where 'new work' requests are approved in principle.
- Approval of Delivery Plans
- Responsibility for reviewing escalated risks and issues within the programme; supporting the mitigation of these where necessary
- Sponsoring Programme wide communications which may have political ramifications
- Reviewing recommendations escalated by Scrutiny Topic Groups
- Supporting the delivery of any recommendations made by the LGA Corporate Peer Challenge

Membership

The Reimagine Transformation Programme Board mirrors the Council's Executive Board and consists of the following members;

- Leader
- Deputy Leader
- Portfolio Holder for Corporate Resources
- Portfolio Holder for Children and Young People
- Portfolio Holder for Adult Social Care
- Portfolio Holder for Health and Wellbeing
- Portfolio Holder for Community Safety
- Portfolio Holder for Environment and Urban Renewal
- Portfolio Holder for Employment, Learning, Skills and Community
- Portfolio Holder for Climate Change

The Portfolio Holder for Corporate Services will serve as the Programme Board Chair and the Leader as the Vice Chair.

The Board will consist of the following officer members to provide support and facilitation;

- Chief Executive
- Corporate Director, Chief Executive Delivery Unit
- Head of Transformation Delivery Unit
- Chief Accountant
- Senior Delivery Officer - Programme Management & Governance
- Lead Officer - Communications & Marketing
- Programme Management Office project officers

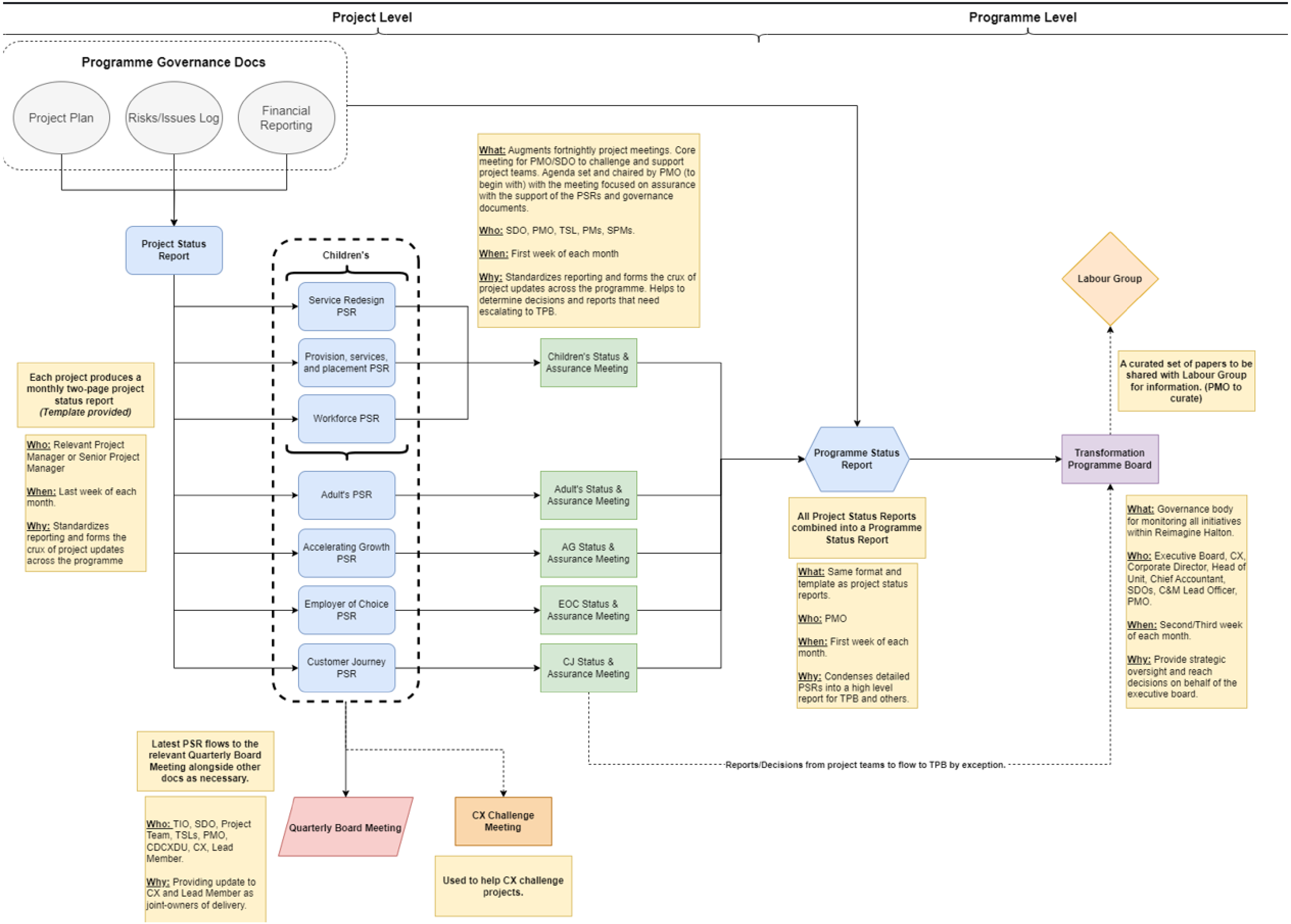
Delegates may be provided for ‘officer members’ of the board where necessary.

Additional members and / or officers may attend periodically at the request of the Programme Board Chair, in respect of specific agenda items, and may include (but not limited to);

- Scrutiny Chairs
- Transformation Initiative Owners or Transformation Service Leads
- Senior Delivery Officers – transformation projects
- Transformation Delivery Unit project officers
- Subject Matter experts or representatives of enabling services (HR, IT, Procurement, OD)

3.0 Governance Structure

The governance structure for the board is set out in the following diagram which demonstrates the flow of activity and reporting from project level Status and Assurance Meetings and Quarterly Project Board through the Programme level oversight by the Transformation Programme Board.



Project Level
Programme Level
Programme Governance Docs
Project Plan
Risks/Issues Log
Financial Reporting
Project Status Report
Children's
Service Redesign PSR
Provision, services, and placement PSR
Workforce PSR
Adult's PSR
Accelerating Growth PSR
Employer of Choice PSR
Customer Journey PSR
Each project produces a monthly two-page project status report (Template provided)
Who: Relevant Project Manager or Senior Project Manager
When: Last week of each month.
Why: Standardizes reporting and forms the crux of project updates across the programme
What: Augments fortnightly project meetings. Core meeting for PMO/SDO to challenge and support project teams. Agenda set and chaired by PMO (to begin with) with the meeting focused on assurance with the support of the PSRs and governance documents.
Who: SDO, PMO, TSL, PMs, SPMs.
When: First week of each month
Why: Standardizes reporting and forms the crux of project updates across the programme. Helps to determine decisions and reports that need escalating to TPB.
Children's Status & Assurance Meeting
Adult's Status & Assurance Meeting
AG Status & Assurance Meeting
EOC Status & Assurance Meeting
CJ Status & Assurance Meeting
Programme Status Report
All Project Status Reports combined into a Programme Status Report
What: Same format and template as project status reports.
Who: PMO
When: First week of each month.
Why: Condenses detailed PSRs into a high level report for TPB and others.
Labour Group
A curated set of papers to be shared with Labour Group for information. (PMO to curate)
Transformation Programme Board
What: Governance body for monitoring all initiatives within Reimagine Halton.
Who: Executive Board, CX, Corporate Director, Head of Unit, Chief Accountant, SDOs, C&M Lead Officer, PMO.
When: Second/Third week of each month.
Why: Provide strategic oversight and reach decisions on behalf of the executive board.
Reports/Decisions from project teams to flow to TPB by exception.
Latest PSR flows to the relevant Quarterly Board Meeting alongside other docs as necessary.
Who: TIO, SDO, Project Team, TSLs, PMO, CDCXDU, CX, Lead Member.
Why: Providing update to CX and Lead Member as joint-owners of delivery.
Quarterly Board Meeting
CX Challenge Meeting
Used to help CX challenge projects.

4.0 Responsibilities of core board Members

Chair /Vice Chair	Chairs the Programme Board Meetings Provides a political steer and makes recommendations to meet political priorities Agrees non-standard agenda items Agrees exceptions to the reporting and meeting schedule Champions the Programme with Members and other key stakeholders Key point of escalation for engagement at a political level and mitigates issues with a political / resident impact.
Sponsor (Chief Executive)	Holds overall accountability for the deployment of officers across the Council to enable the objectives of the Transformation Programme to be achieved.
Lead Member	To be jointly accountable for the delivery of projects within their portfolio, providing directing, challenge and support, through the programme governance arrangements and beyond, to Transformation Initiative Owners. Provides a political steer and makes recommendations to meet political priorities Presents information and updates to fellow Board Members on projects within their portfolio Provides peer challenge and support to fellow Board Members Supports the resolution and mitigation of escalated programme risks and issues. Provides a link between the Programme Board and PPB Topic group to enable a transparent scrutiny process. Champions the Programme with Members and other key stakeholders Key point of escalation for engagement at a political level and mitigates issues with a political / resident impact.
CD-CXDU	Holds accountability for the correct planning and resourcing of transformation projects, to align with the

	achievement of stated objectives and resulting financial and non-financial benefits.
Head of TDU	Responsible for the day-to-day performance management of transformation projects, tracking of benefits, risks and issues across the project portfolio.

Programme Management Office	Manage programme governance through the co-ordination and administration of the board meetings. Including;
	- Scheduling of monthly Programme Board Meetings
	- Preparation and distribution of Board agenda and ensuring papers are available in advance of the meeting
	- Recording key discussion points, actions, changes and decisions and tracking attendance of members.
	- Highlight actions which have not yet been undertaken
	- Preparation of specified content for the Board, agreed by Head of Unit;
	    o Programme Status Report
	    o Budget and Financial reporting
	    o Risk and Issue reporting (whole programme)
	
	Facilitate the 'new work gateway' process, liaising with requestors and enabling services
	
	Facilitate the appointment and allocation of individuals to project teams

5.0 Administration

Board meetings will be held on a monthly cycle, year round. Attendance shall be normally be in person.

A schedule of meetings shall be published by the Programme Management Office for the financial year.

A record of attendance will be recorded as part of the Board notes.

On occasion, it may be necessary to call extraordinary meetings to ensure that project progress is not stalled. Such meetings can be convened with agreement of the Chair and the ToR in this document shall be adhered to.

Papers will be made available to Board members at least 5 working days before the meeting unless otherwise agreed with the Chair that a paper can be submitted at short notice. Papers will be circulated electronically.

Decisions, discussions, changes and actions shall be recorded during the meeting by the Programme Management Office and shall be shared within 48 hours of the meeting with members of the board.

An urgent decision or change may be taken in between meetings, only in the event that a failure to do so would impede delivery of an objective, financial, or non-financial benefit within a critical project timeframe. Urgent decisions will be taken by the Chair, the Lead Member for the project, in consultation with the Corporate Director, CXDU.

Decisions that fall within the Powers and Duties of the Executive Board must be referred to the Executive Board for consideration in the normal way.

6.0 Quorum

All decisions will be made by a casting of votes from Elected Members. Core board members who are officers or advisors will not be entitled to vote. A quorum of 6 members is required. In the event that there is a tied vote, the Chair shall have the deciding vote.

7.0 Control Documents and Reporting Arrangements

All projects within the Programme will be expected to have a set of core project management documents which include;

- Delivery Plan (including Measurement Annex)
- Risk and Issues log
- Project Plan
- A Trajectory(ies)
- A Communications Plan
- Project Status Report
- Contribution to the Programme Status Report

The **Delivery Plan** will be produced by the Transformation Initiative Owners, with support from the Transformation Delivery Unit and contributions and feedback from the Lead Member. Accountability for delivery of the plan will be held jointly by the Lead Member and Transformation Initiative Owner. Delivery Plans will be produced in accordance with the Programme's Delivery Plan Assessment Framework and will be subject to quality assurance by the relevant Senior Delivery Officer, moderation with key stakeholders such as enabling services, oversight of standards by the Programme Management Office.

Delivery Plans will provide an overview of project purpose, vision, activity and the resources required to deliver it. They will have clear delivery themes, priority actions and milestones associated with the activity and will be created alongside other project documentation such as the Project Plan, Communications Plan and Risk and Issues Log. Each Delivery Plan will include a Measurement Annex detailing performance indicators that will be used to monitor progress and performance, a Trajectory and Stakeholder mapping.

Lead Members will be required to bring the completed Delivery Plans to the Transformation Programme Board for approval. Following this, Transformation Initiative Owners should present the approved Plan to Management Team.

On approval of the Delivery Plan, the Lead Member will circulate a copy of the plan to the relevant Policy and Performance Board Chair with a request to convene a Policy and Performance Board Topic Group. The Topic Group will perform a scrutiny role, escalating any recommendations via the Lead Member, to the Transformation Programme Board for consideration.

Project Plans will be developed and maintained in the Microsoft Project application by Transformation Project Teams, on behalf of Initiative Owners. Plans will be reviewed as a minimum, every two weeks at the Project Team meetings and will feed into the wider Programme Plan which will be monitored by the Programme Management Office.

Trajectories will be developed for each project to provide a mechanism to forecast and monitor financial and non-financial outcomes associated with the delivery of activity outlined in the Delivery Plan. Performance and progress associated with the trajectories will be monitored using the performance indicators detailed in the **Measurement Annex** of the Delivery Plan.

Each project will hold a local **Risk and Issues log** which should be reviewed and maintained as part of the Project Team meetings. Escalated issues will form part of the Programme Risk and Issues Log which will be presented to the Board on a monthly basis, typically as part of the Programme Status Report. The Programme Board will provide support and guidance in addressing any escalated risks where necessary.

On a monthly basis each project will hold a Status and Assurance Meeting. This objective of this meeting is to provide a progress update and assurance to both the Senior Delivery Officer and the Programme Management Office. Ahead of the meeting, each project team and Transformation Initiative Owner, will be required to produce a **Project Status Report** detailing the status of activity, decisions, risks and issues and budget for their project. Information from the Project Status Reports will be collated by the Programme Management Office into a single Programme Status Report.

Programme Status Report will be produced on a monthly basis and presented to Board Members in advance of the Programme Board. Included in the report will be milestones, key dates and decisions taken in the reporting period, as well as and assessment of programme progress, risk and issues. Financial and non-Financial benefits tracking for the programme will accompany the report.

Project Closure documents should be completed as phases of the Projects are; transitioned back to 'business as usual', reach a conclusion, or are deemed unfeasible. Closure documents will be present to the Programme Board to agree formal closure or transitioning and to account for any financial implications.

A '**New Work Programme Gateway**' process has been established to assess new work coming into the programme. Requestees, with the support of their Executive Director, will submit a business case via the 'Help with Transformation' portal. The business case will be assessed for return on investment, financial impact, expected benefits, and timescales.

The Portfolio holder for Corporate Services and the Chief Executive will make decisions, in discussions with Programme Board and Management Team colleagues, to approve, in principle, areas of work for further exploration.

On provisional approval, a period of intensive data gathering, research and investigation will be conducted by operational services with the temporary allocation of Transformation Delivery Unit support to assess the feasibility of the work and present an Options Report to the Programme Board. A date to consider the Options Report at Programme Board will be pre-set by the Programme Management Office and shall not exceed 12 weeks.

Where the Transformation Programme Board agrees one or more options to be taken forward, a date should be agreed by the Board for the production of a Delivery Plan. The Programme Management Office will agree and allocate ongoing unit resource to support the work. Where the Transformation

Programme Board deems that the options presented are not feasible for continuation, the board should agree and document the closing of the project in the Minutes.

8.0 Keeping on Track

Alongside the Programme Status Report, the PMO will also produce a monthly Project Status Matrix. This document provides a high-level overview of all projects within the programme along with their associated RAG ratings (Summary, Time, Budget, and Risk). The Matrix will also indicate whether RAG ratings have improved, deteriorated, or remained unchanged from the previous months. With the support of the PMO, the Matrix will help the Board identify trends as well as projects that require closer inspection.

The development and monitoring of trajectories and associated data will provide a robust mechanism for monitoring progress and impact of priority actions against the desired goals. As projects develop it may be necessary to review and adjust how and what we deliver and where necessary a **Change Report** created to address required changes to delivery.

There may be occasions when things do don't go to plan. In such cases it may be necessary for the Programme Board to instigate a **Priority Review**. A Priority Review is a rapid analysis of the state of delivery and the identification of action needed to strengthen the delivery over a short period of time, usually no more than 6 weeks. During the 6 week period, intensive work and analysis of the delivery chain, down to front line analysis should be carried out to establish firm evidence which is to be triangulated against the existing evaluations, data and evidence from the reviews. It should result in a strengthen plan action plan of delivery. This work will be facilitated by the Programme Management Office alongside project resource.

REPORT TO:	Audit and Governance Board
DATE:	20 November 2024
REPORTING OFFICER:	Director - Finance
PORTFOLIO:	Corporate Services
SUBJECT:	Annual Governance Statement 2023/24
WARD(S)	Borough wide

1.0 **PURPOSE OF THE REPORT**

1.1 This report presents the Annual Governance Statement (AGS) to accompany the 2023/24 statement of accounts. The preparation and publication of an AGS is necessary to meet the statutory requirement set out in regulation 6 of the Accounts and Audit Regulations 2015.

1.2 The format of the AGS follows the 2016 best practice guidance issued by CIPFA / Society of Local Authority Chief Executives (SOLACE).

2.0 **RECOMMENDATION:**

The Board is asked to consider and approve the 2023/24 Annual Governance Statement subject to any changes or additions that members feel appropriate.

3.0 **SUPPORTING INFORMATION**

3.1 The AGS provides a summary of the authority's governance arrangements during 2023/24 and provides an opinion on whether they were fit for purpose. It also identifies any issues with the Council's governance arrangements and sets out how such issues will be addressed.

3.2 CIPFA produces guidance for producing the AGS 'Delivering Good Governance in Local Government Framework', and the guidance requires the AGS be current at the point of publication, which is concurrent with the Statement of Accounts.

3.3 To ensure the AGS is up to date when the external audit of the financial statements is completed, CIPFA have recommended that authorities review the draft AGS to identify any changes required before the audit is finalised and obtain formal approval for the reviewed version prior to publication.

3.4 CIPFA guidance states that the AGS need not be updated for any issues emerging after 31 March 2024 unless they were pertinent to the previous financial year. As such, the outcome and Council response to the recent Ofsted inspection report will be addressed in the 2024/25 AGS.

3.5 The draft AGS was originally presented to the Board in June 2024. The areas identified for development in the action plan remain unchanged from the version previously approved by the Board.

3.6 The Council's Constitution delegates the responsibility to review and approve the AGS to the Audit and Governance Board. As such, the document will be updated if necessary to consider any feedback from the Board.

3.7 Once approved by the Audit and Governance Board, the AGS will be signed by the Council Leader and Chief Executive who are responsible for ensuring that any significant actions identified to enhance the Council's governance arrangements are addressed.

3.8 The final signed version of the AGS will be published on the Council's website.

4.0 POLICY IMPLICATIONS

4.1 The powers and duties of the Audit and Governance Board include responsibility for considering the Council's corporate governance arrangements and agreeing necessary actions to ensure compliance with best practice. The AGS provides a commitment to address the governance challenges identified by the Council.

5.0 FINANCIAL IMPLICATIONS

5.1 There are no direct financial implications arising from the report.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Improving Health, Promoting Wellbeing and Supporting Greater Independence

Good governance leads to good management, good performance and good stewardship of public money. It therefore enables the Council to implement its vision in accordance with its values and to engage effectively with its citizens and service users and ensure good outcomes for them.

6.2 Building a Strong, Sustainable Local Economy

See 6.1

6.3 Supporting Children, Young People and Families

See 6.1

6.4 Tackling Inequality and Helping Those Who Are Most In Need

See 6.1

6.5 **Working Towards a Greener Future**

See 6.1

6.6 **Valuing and Appreciating Halton and Our Community**

See 6.1

7.0 **RISK ANALYSIS**

7.1 The AGS provides assurance that the Council has a sound system of risk management, control and governance. The document provides a public statement of how the Council directs and controls its functions and relates to its community.

8.0 **EQUALITY AND DIVERSITY ISSUES**

8.1 The Council has to have regard to the elimination of unlawful discrimination and harassment and the promotion of equality under the Equalities Act 2010 and related statutes. Proper governance arrangements will ensure that equality and diversity issues are appropriately addressed.

9.0 **CLIMATE CHANGE IMPLICATION**

9.1 None arising from this report.

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

Document	Place of Inspection	Contact
CIPFA / SOLACE – Delivering good governance in Local Government: Framework (2016)	Halton Stadium, Widnes	Merv Murphy
CIPFA / SOLACE - Delivering good governance in Local Government: Guidance note for English authorities (2016)		

Halton Borough Council

Annual Governance Statement 2023-24

Governance

Local authorities are accountable to their communities for the money they spend. They are also required under law to ensure they provide value for money, and to achieve this they need to have a governance framework that supports a culture of transparent decision-making.

Good governance in local authorities ensures that decision-making is lawful, informed by objective advice, transparent, and consultative. It is crucial in achieving value for money and in securing financial sustainability. It is therefore important that Halton Borough Council conducts its business in the correct way, for the right people, in a timely, inclusive, open, honest, and accountable manner. Good rules, systems, and information are important in maintaining good governance.

The Council therefore strives to meet the highest standards of corporate governance to help ensure it meets its objectives and serves its communities well. Members and Officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal.

The Council's governance framework comprises the systems and processes, cultures, and values by which the organisation is directed and controlled, and through which it is accountable to, engages with, and leads its communities. It ensures that appropriate mechanisms for control are in place, and that risks and opportunities are managed effectively.

The Council acknowledges its responsibility for ensuring that there is a sound system of governance. In doing so, it has developed a Local Code of Corporate Governance that defines the principles that underpin the governance of the organisation. The Local Code forms part of the Council Constitution and can be accessed on the Council's website.

Halton Borough Council recognises its responsibility to ensure that it:

- Conducts its business in accordance with the law and proper standards
- Safeguards and properly accounts for public money
- Uses public money economically, efficiently, and effectively
- Maintains effective arrangements for the management of risk
- Secures continuous improvement in the way in which its functions are exercised

The Annual Governance Statement

The Council is required by the Accounts & Audit (England) Regulations 2015 to prepare and publish an annual governance statement. This is a public document that reports on the extent to which the Council complies with its own code of governance and explains how the Council has reviewed the effectiveness of its systems of internal control.

In this document the Council:

- Acknowledges its responsibility for ensuring that there is a sound system of governance
- Summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment
- Describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period
- Provides details of how the Council has responded to the issues identified in last year's governance statement
- Openly communicates significant governance issues that have been identified during this year's review and sets out how the Council will develop and secure continuous improvement in theses areas over the coming year

The main aim of the annual governance statement is to provide residents, communities, partners, and the businesses of Halton with confidence in the Council's governance arrangements. This includes confidence that our ways of working enable us to provide the right services effectively and efficiently and on a consistent basis, and that we take informed, transparent and lawful decisions. It also is intended to provide assurance that we properly account for the money the Council receives and spends.

The Council's Governance Framework

The Council aims to achieve good standards of governance by adhering to the following key principles set out in the best practice guidance 'Delivering Good Governance in Local Government: Framework 2016':

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social, and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the Council's capacity, including capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The Council's governance framework comprises a range of systems and processes that ensure a robust control environment and effective arrangements for the management of risk and opportunity. Key elements of the governance framework are described in this statement.

Good governance is underpinned by the behaviours of members, officers, and partners, which includes adherence to the decision-making framework as set out in the Council Constitution, adherence to various codes and protocols, the culture and values of the organisation, and how the Council is accountable to and engages with the communities it serves.

The annual governance statement reports on the governance framework that has been in place at Halton Borough Council for the year ended 31 March 2024 and up to the date of approval of the annual statement of accounts. It provides an open and honest reflection of the Council's governance arrangements and the current challenges faced.

The Council considers that it is compliant with the 'CIPFA Delivering Good Governance in Local Government: Framework 2016'. The following pages provide examples of how the Council complied with the seven key principles set out in the Code during 2023/24.

How the Council applies the Principles of Good Governance

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

- The Council has a constitution that sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, proportionate, transparent, and accountable. The Constitution was reviewed and updated in May 2023.

- The Council's Local Code of Corporate Governance, which forms part of the Council Constitution, sets out the processes in place to ensure that officers behave in ways that exemplify high standards of conduct and effective governance. These arrangements are wide ranging and communicated by Management Team to staff in a variety of ways including induction procedures, the employee code of conduct, Finance Standing Orders, Procurement Standing Orders, registers of interests, staff bulletins, registers of gifts and hospitality, whistle-blowing procedures, HR policies and fraud awareness training. The Local Code of Corporate Governance is subject to annual review.

- One of the roles of the Audit and Governance Board is to promote high standards of member conduct. Members of the Board were kept updated during the year of standards issues that had arisen.

- During 2023/24 the Council developed a values and behaviours framework which provides a common language around values, fostering a positive organisational culture where employees feel empowered and motivated to uphold these principles. By defining expected behaviours, the Council is promoting accountability and consistency across all levels, leading to increased trust and cohesion within teams. The framework will also serve as a compass in times of uncertainty or conflict, guiding ethical decision-making, and ensuring that actions are in line with the Council's mission and vision. The framework was launched at the Council's Celebrating Success Award Ceremony. Award categories were aligned to the five headlines within the framework, with additional categories for Apprenticeship of the Year and the Community Service Award.

- All new employees undergoing the corporate induction process during 2023/24 were made aware of the Employees' Code of Conduct. There is an established disciplinary procedure which is invoked when an employee deliberately breaches rules and/or commits acts of misconduct, which are considered sufficiently serious as to warrant formal investigation.

- A complaints process exists for members of the public to raise concerns about standards exhibited by members which can be accessed through the Council's website.

- The Council takes fraud, corruption, and maladministration seriously and has established a suite of policies and processes which aim to prevent or deal with such occurrences. On 27 September 2023, the Audit and Governance Board received an annual report summarising the operation of the Council's counter fraud and corruption arrangements

- The Director – Legal Services provided legal advice to the Council throughout the year as the Council's Monitoring Officer. One of the key functions of that role is to ensure the lawfulness and fairness of decision-making. There are no known instances of the Council failing to comply with relevant laws and regulations during the 2023/24 financial year.

How the Council applies the Principles of Good Governance

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
• The Council publishes an annual Modern Slavery Act Transparency Statement that sets out the Council's actions to understand the potential modern slavery risks related to its business. It also explains the steps the Council has taken to ensure that no slavery or human trafficking takes place in its own business or through its supply chains. • A corporate complaints procedure operated throughout the year to receive and respond to any complaints received. An annual report summarising the complaints received, trends and outcomes is presented each year to the Corporate Policy and Performance Board. The latest report, which covered 2022/23, was presented at the Board's meeting on 23 January 2024. Complaints received are used to inform the development of the Council's services and policies. • Arrangements exist to ensure that members and officers are not influenced by prejudice, bias, or conflicts of interest in dealing with different stakeholders. These include: - Registers of disclosable pecuniary interests were maintained - Registers of gifts and hospitality were maintained - Opportunities to declare disclosable pecuniary interests and disclosable other interests were provided at the start of meetings. • The Council's higher value procurement activity is undertaken in accordance with the Public Contracts Regulations 2015 (PCR 2015). The Council has included provisions within its procurement processes which allow for the discretionary exclusion of suppliers that fail to comply with the Modern Slavery Act 2015 and / or breach environmental, social, or labour law obligations.

How the Council applies the Principles of Good Governance

Ensuring openness and comprehensive stakeholder engagement

- During 2023/24 the Council engaged with stakeholders who live and work within the borough to share the challenges that the Council is facing and to establish what is most important to them. Known as the 'Big Conversation', the consultation was live for four months and was used to establish a set of key priorities which would drive the organisation forward over the next five years. The Big Conversation led to six key priorities being identified and agreed.

- Information on the Council's performance, finances and the democratic running of the Council is routinely published on the Council's website. The Council also fully complies with the reporting requirements of the Local Government Transparency Code 2015.

- The Council's Constitution is published on the Council's website. It explains the Council's decision-making processes and delegated authorities. All key decisions taken by the Council are also publicly available on the Council's website.

- The Council engages with key partners and institutional stakeholders in various ways. Formal partnerships include the Health and Wellbeing Board, the Safer Halton Partnership, the Halton Children's Trust, and the Halton Learning Alliance. An executive director from the Halton Clinical Commissioning Group (CCG) is also a member of the Council's Management Team.

- The Health and Wellbeing Board provides a key forum for public accountability of the NHS, Adult Social Care, Children's Services, Public Health, and other commissioned services relating to the wider determinants of health in Halton. The Board met on four occasions during 2023/24. Its work included receiving:

  - Updates on the One Halton Place Based Partnership
  - the Public Health Annual Report (2022/23)
  - the Adult Social Care Annual Report (2022/23)
  - the Halton Safeguarding Adults Annual Report (2022/23)

- Engagement with citizens and service users is carried out using a variety of methods, including a range of survey techniques and sampling techniques. During 2023/24 the Council consulted on a range of issues, which included:

  - Family Hub Launch - Gathering parent and professional feedback from the launch event
  - SEND provision - Consulting about SEND provision for schools
  - Mental Health Marketing for young people - Finding out why teenage males do not engage with mental health services

- In setting its budget the Council listens to the views of the public and the experience of elected members through their ward work. Individual consultations took place in respect of specific budget proposals and equality impact assessments were completed where necessary.

How the Council applies the Principles of Good Governance

Defining outcomes in terms of sustainable economic, social, and environmental benefits
• The long-term vision for Halton is set out in the Council's Corporate Plan, which defines the Council's priorities and how it hopes to achieve them. It also explains the Council's values and principles. During 2023/24, following widespread engagement with stakeholders through the 'Big Conversation', six new key priorities were identified and agreed. These now form the basis of the Council's new Corporate Plan for the next five years, from April 2024 through to 2029. • The Council's Corporate Planning Framework provides the means by which the Council's activities are developed and monitored. A regular system of reporting to the Council's Management Team, Executive Board and Policy and Performance Boards records progress against key business plan objectives and targets. • Directorate and Departmental Business Plans were produced for 2023/24 that described key developments and emerging issues relating to each department of the Council. The plans formally set out key objectives, milestones, and measures for each business area. • The Council has established a Climate Change Strategy & Action Plan for the Council's operations and activities. The Action Plan is predominantly focused on reducing the Council's own carbon production. However, during the lifetime of the Plan, the Council has committed to broaden the scope and develop proposals to provide a broader borough-wide strategy. • The Council has approved the principles set out in the LCR Zero Waste 2040 Strategic Framework to reduce waste related carbon emissions. The Council also approved continued partnership working with Merseyside Recycling and Waste Authority (MRWA) and the other LCR local authorities to deliver action to meet our individual and collective climate targets and objectives. • During 2023/24 the Executive Board agreed to the commencement of a procurement process in respect of a project to extend the Council's existing Solar Farm and create a micro grid connecting the Municipal Building, Lowerhouse Lane depot and the new leisure centre in Moor Lane. The project will include a battery storage scheme in order to maximise the use of solar PV power overnight and support the use of heat pumps at the new leisure centre. It will also provide an EV electrical charging infrastructure at Lowerhouse Lane Depot to enable electrification of the Council's vehicle fleet. • The Council's Big Halton Forest is part of delivering a green recovery after the pandemic and tackling the climate emergency head on, by planting trees and enhancing the green infrastructure of Runcorn and Widnes and its villages. The project involves working with individuals, communities, organisations, and businesses, with the aim of adding a new tree for every citizen by 2030 across the Borough of Halton. This will be in addition to the approximate 1,500 new trees the Council plants each year. • The Council routinely publishes information on the Council's vision, strategy, plans, finances, and performance on its website. • The Council has continued to generate social value through its procurement activity. Details of the Council's approach to social value in procurement, and examples of outcomes achieved, were shared in the Procurement Update report to the Audit and Governance Board on 22 November 2023.

How the Council applies the Principles of Good Governance

Determining the interventions necessary to optimise the achievement of the intended outcomes
• The Council's Corporate Planning Framework in operation during the year provided the means by which the Council's activities were developed and monitored. • There is a well-established overview and scrutiny framework with six Policy and Performance Boards (PPBs) aligned to the Council's six corporate plan priorities. They hold the Executive to account, scrutinise performance and develop policy proposals for consideration by the Executive. The Lead Member for Scrutiny also meets regularly with the S31 Scrutiny Officer and chairs the Scrutiny Chairs Group, comprising the Chairs of each of the Scrutiny Boards. • Performance monitoring reports were produced throughout the year recording progress against key business plan objectives and targets. These reports were presented to the Council's Management Team, to the Executive Board, and to the Policy and Performance Boards. • The Council operates a corporate complaints procedure and specific complaints procedures for Adult Social Care, Children's Social Care, schools, and complaints relating to elected members. These procedures allow the Council to identify areas where things may have gone wrong and to put them right and prevent them from happening again. • The Council aims to ensure that the purchase or commissioning of goods, services or works required to deliver services is acquired under best value terms. The Council's procurement activity is undertaken in line with the Council's Procurement Strategy and within clearly defined rules set out in Procurement Standing Orders, which are reviewed and updated annually. • The Council's internal audit team carried out a comprehensive programme of audits during the year reviewing both front line and support services. The implementation of recommendations arising from the work of internal audit assists the Council in identifying and managing risks that may impact on the achievement of intended outcomes. Implementation of agreed actions from internal audit reports is monitored by the Audit and Governance Board through a robust follow up process. • The Council recognises that it has a responsibility to manage both internal and external risks as a key component of good corporate governance. Risk is defined as being the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies. In order to manage risks effectively the Council operates a formal process to identify, evaluate and control risks. The Council's Corporate Risk Register summarises the key strategic risks faced by the Council and includes details of arrangements established to ensure that intended outcomes are achieved. • The Council continued to implement a Children and Young People's Improvement Plan in response to the OFSTED inspection in October 2021. The plan sets out how the Council will ensure that children and young people in Halton are safeguarded and achieve the Council's aspiration that all its services for children and young people are good or better. Implementation of the improvement plan is continuing to be monitored by the Halton Children and Families Improvement Board

How the Council applies the Principles of Good Governance

Developing the Council's capacity, including capability of its leadership and the individuals within it
• Elected members are provided with the opportunity for an annual review to identify their development requirements, which are set out in a Member Action Plan. • The Council has a Member Development Group that monitors key performance indicators in relation to member development. Its remit also includes raising awareness of learning and development updates. The group also provides a forum for members to raise any other training or support issues to help them in their roles. • Members of the Audit and Governance Board received training during the year to assist them in their role as the Council's Audit Committee. • The Council's Organisational Development Team went through significant changes during 2023/24 that have fallen inline with the Transformation Delivery Unit priorities. The key areas of work have been the development of a Corporate Values & Behaviours Framework, the introduction of an employee recognition event called Celebrating Success and facilitating the way forward in the Council becoming an employer of choice. • Maintaining the Council's Leadership capability continued to remain a top priority with the following taking place during the year: - 19 employees undertaking the level 2 in Leadership & Team Skills - 5 employees undertaking the Institute of Leadership & Management (ILM) level 5 - 10 employees undertaking ILM Level 7 in Leadership & Management - 4 employees undertaking BCS Certificate in Requirements Engineering qualification - 4 employees undertaking Leadership & Accountancy qualifications - 2 employees undertaking Transport Management and Professional Certificate/Diploma in Transport Development Management - 1 employee undertaking Level 5 Diploma in leadership for Health and Social Care and young people's services - 1 employee undertaking Post Graduate Certificate in Data Science and Artificial Intelligence • A contemporary approach to leadership and management learning has continually been promoted and is available via the e-learning platform covering subject topics such as: - Change Management - Cross Functional Working Teams - Understanding Organisational Culture & Ethics - Communication Skills - Project Management - Planning & Running Effective Meetings - Difficult Conversations - Stress Awareness for Managers

How the Council applies the Principles of Good Governance

Managing risks and performance through robust internal control and strong public financial management
• The Council provides decision-makers with full and timely access to relevant information. The executive report template requires information to be provided explaining the policy, financial and risk implications of decisions, as well as implications for each of the corporate priorities and any equality and diversity implications. • The Council has a well-established Audit Committee (the Audit and Governance Board), which met regularly during 2023/24. The Board has clearly defined responsibilities and provides oversight and challenge in regard to the Council's governance, risk management, audit, efficiency and improvement, accounts, procurement, and counter fraud and corruption arrangements. • The Council has embedded risk management arrangements. Directorate and corporate risk registers outline the key risks faced by the Council, including their impact and likelihood, along with the relevant mitigating controls and actions. The Corporate Risk Register was reviewed and approved by the Audit and Governance Board at its meeting on 27 September 2023. • The Council has a Head of Internal Audit and a continuous internal audit service, which has been externally assessed as conforming to the Public Sector Internal Audit Standards. Internal audit plays a key role in reviewing and improving the effectiveness of the Council's risk management, governance, and control arrangements. No restrictions are put on the role of internal audit and management regularly engages internal audit to examine specific areas which are causing concern. • The Head of Internal Audit provides an annual opinion on the Council's risk management, control, and governance processes. The annual opinion is based upon the internal audit work completed during the year. The opinion covering 2022/23 was presented to the Audit and Governance Board on 5 July 2023 and concluded that the Council's risk management, control and governance processes that were in place during 2022/23 were considered to be adequate and to have operated effectively during the year. • The Council has a well-established information governance framework. The Data Protection Officer is supported by the Information Governance Service, which plays a key role in ensuring that the Council remains compliant in data protection and security arrangements. The Information Governance Service is responsible for, and oversees, data management and risk, corporate data security policies, staff training and the production of monitoring reports and annual reports to the Council's Senior Information Risk Owner. The Council had no cause to report any data breaches to the Information Commissioner's Office during 2023/24. • Quarterly reports on the Council's overall capital and revenue net spending position and forecast outturn position were presented to the Executive Board throughout the year. • Ongoing pressures within demand-led services, particularly Children's Social Care, resulted in net spending for 2023/24 being £5.633m over budget. Whilst this overspend has a detrimental impact on the Council's finances, it represents a significant improvement from the forecast outturn position of £7.144m reported at the end of December 2023. This demonstrates that the actions being taken by the Council to control spending are having a positive effect.

How the Council applies the Principles of Good Governance

Managing risks and performance through robust internal control and strong public financial management
• The Council produces a Medium-Term Financial Strategy (MTFS), which is refreshed each year. The Strategy covering the period 2023/24 – 2025/26 was approved by the Executive Board at its meeting on 16 November 2023. The MTFS represents the “finance guidelines” that form part of the medium term corporate planning process. These guidelines identify the financial constraints which the Council will face in delivering its key objectives over a three-year period and are an important influence on the development of the Corporate Plan, Service Plans and Strategies. • The Council produces an annual Capital Strategy which provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risk is managed and the implications for future financial sustainability. The Strategy is reviewed and approved annually by Executive Board. • In compliance with the requirements of the CIPFA Prudential Code and the CIPFA Treasury Management Code, the Council produces an annual Treasury Management Strategy Statement. This sets out the Council’s strategy for borrowing and also includes an Annual Investment Strategy, which sets out the Council’s policies for managing its investments. The strategy enables the Council to maximise its financial yield whilst keeping within the principles of security and liquidity as set out in the Prudential Code. The Treasury Management Strategy Statement is reviewed and approved annually by Executive Board. A half-yearly update report and annual report on treasury management activity is also provided to the Executive Board. • The Council’s external auditor is required to provide an opinion on whether the Council’s financial statements provide a true and fair view of the financial position of the Council and its income and expenditure for the year. On 20 March 2024, the Council’s external auditor reported to the Audit and Governance Board that they anticipated issuing an unqualified audit opinion on the Council 2022/23 financial statements. • The Council operates a robust performance management framework with performance monitoring reports being produced each quarter recording progress against key service objectives in relation to the Corporate Plan. The reports were presented to the Council’s Management Team, to the Executive Board, and to the Policy and Performance Boards.

How the Council applies the Principles of Good Governance

Implementing good practices in transparency, reporting, and audit to deliver effective accountability
• The Council complies with the Local Government Transparency Code 2015 and publishes a wide range of information on its website. This includes details of meetings, minutes and agendas, policies and plans, the Council Constitution, the Statement of Accounts, details of members' allowances and expenses, details of senior staff pay, contract awards, and details of land and building assets. • The Council operates clear and effective processes for dealing with Freedom of Information (FOI) requests and Subject Access Requests (SAR). • All Council meetings are open and can be attended by members of the public with the exception of those where confidential or personal matters may be disclosed. • A commitment to transparency is also demonstrated by a high percentage of reports being considered in the Part 1 (open to the public) part of committee meetings, the Forward Plan, an active website, and by the Council having an active presence on social media. • The Council has an effective Audit and Governance Board that provides a source of assurance over the Council's risk management, control, and governance arrangements. • The Council has established various ongoing arrangements that provide effective assurance. These include the work of Internal Audit, the Council's risk and performance management arrangements, the work of the Information Governance Group, the work of the Policy and Performance Boards and the work of the Audit and Governance Board. • The Council operates a whistleblowing procedure and has well-publicised arrangements for employees and the wider community to raise any concerns relating to fraud, misconduct, or other issues. All whistleblowing complaints and referrals received were assessed and investigations undertaken where sufficient information was provided.

The roles of those responsible for developing and maintaining the governance framework

Council	- Approves the Corporate Plan - Approves the Constitution - Approves the policy and budgetary framework
Executive Board	- The main decision-making body of the Council - Comprises ten members who have responsibility for particular portfolios
Audit and Governance Board	- Designated as the Council's Audit Committee and provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework, procurement strategy, and internal control environment. - Promotes high standards of member conduct
Policy & Performance Boards	- There are six Policy & Performance Boards aligned to the Council's six Corporate Plan priorities - They hold the Executive to account, scrutinise performance, and develop policy proposals for consideration by the Executive
Management Team	- Implements the policy and budgetary framework set by the Council and provides advice to the Executive Board and the Council on the development of future policy and budgetary issues
Internal Audit	- Provides assurance over the Council's governance, risk management, and control framework - Delivers an annual programme of audits - Makes recommendations for improvements in the management of risk and value for money
Managers	- Responsible for maintaining and developing the Council's governance and control framework - Contribute to the effective corporate management and governance of the Council

How the Council monitors and evaluates the effectiveness of its governance arrangements

The Council annually reviews the effectiveness of its governance framework including the system of internal control. The key sources of assurance that inform this review are outlined below:

Internal Audit

- Annual opinion report
- Internal audit reports

External Audit

- Financial statements audit
- Value For Money conclusion

Information Governance

- Senior Information Risk Owner Report

Counter Fraud Arrangements

- Whistleblowing arrangements
- Annual report on Fraud and Corruption

Risk Management

- Corporate Risk Register Progress Reports

Complaints

- Corporate complaints procedure
- Ombudsman investigations

External Reviews

- External reviews from various regulators and inspectorates, e.g. CQC, Ofsted

Monitoring Officer

- Legal and Regulatory Assurance

Section 151 Officer

- Financial Controls Assurance

Overview & Scrutiny

- Performance monitoring
- Policy development and review

Review of the effectiveness of the governance framework

The Council has a responsibility to undertake, at least annually, a review of the effectiveness of key elements of its governance framework including the system of internal control. The Council has carried out this review in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016). The initial review of the Council's governance framework was led by a small core group of officers supported by other officers across the Council. The core group comprised the following officers:

- Director - Legal Services
  This post is designated as the Council's Monitoring Officer under section 5 of the Local Government and Housing Act 1989, as amended by paragraph 24 of schedule 5 Local Government Act 2000. The Monitoring Officer is responsible for ensuring that that the Council acts and operates within the law.
- Director - Finance
  This post is designated as the s151 Officer appointed under the 1972 Local Government Act. The post holder is the Council's Chief Financial Officer and carries overall responsibility for the financial administration of the Council.
- Head of Audit, Procurement & Operational Finance
  This post is responsible for the Council's internal audit arrangements, including the development of the internal audit strategy and annual plan and providing an annual audit opinion on the Council's governance, risk management and control processes.

In preparing the annual governance statement the Council has:

- Reviewed the Council's existing governance arrangements against its Local Code of Corporate Governance
- Considered any areas where the Local Code of Corporate Governance needs to be updated to reflect changes in the Council's governance arrangements and best practice guidance
- Taken account of various internal and external sources of assurance over the operation of the Council's governance framework
- Assessed the effectiveness of the Council's governance arrangements and highlighted any planned changes in the coming period
- Reviewed previously identified governance issues and the progress made against these during 2023/24

Management Team, which is chaired by the Chief Executive, has also reviewed the annual governance statement, and considered the significant governance issues facing the Council.

The Audit and Governance Board provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework, and internal control environment. As part of this role the Board reviews and approves the annual governance statement.

The following pages summarise how the Council has responded to the governance issues identified from the 2022/23 annual governance statement. An action plan is also included setting out the issues identified from this year's review of the effectiveness of the Council's governance framework.

2022/23 Governance Review – Action Plan Update

Development areas identified in 2022/23	Progress achieved
Corporate Plan Consultation and development of a new Corporate Plan.	The Big Conversation was about engaging with all our stakeholders who live and work within the borough to share the challenges that the Council is facing and to establish what is most important to them. The consultation was live for four months (August - November 2023) in order to engage with as many stakeholders as possible and in doing so help to establish a set of key priorities which would drive the organisation forward over the next five years. Consultation success: The overall success of this venture can be validated in that The Big Conversation was the second most responsive survey ever in the history of Halton Borough Council with a total of 1,076 responses. The Corporate Plan (2024-2029) The Big Conversation led to six key priorities being identified and agreed. These now form the basis of the Council's new Corporate Plan for the next five years, from April 2024 through to 2029. A detailed publicity and marketing plan has been created to ensure that our four key stakeholders, (residents, partners and businesses, elected members, and workforce), are informed, and kept up to-date with developments and achievements throughout the next five years, which will be underpinned by a new performance management framework. The Council has also developed a Values and Behavioural Framework which, once rolled out, will help to create an organisational culture that will underpin the delivery of the key priorities in the new Corporate Plan.
Risk Management Development of the Council's risk management arrangements, including updating of the Risk Management Policy and associated toolkit.	A review of the policy was conducted in 2023. As a result, references to toolkit and e-learning were included, titles of directors updated, and improvements made to the presentation of the document. Additional measures have included working with Zurich Municipal. This is an ongoing project which will include additional training with management at all levels. Relevant staff have also attended training events again to improve knowledge. A review of documentation has also taken place and recommendations made by Zurich Municipal have been acted upon.

2022/23 Governance Review – Action Plan Update

Development areas identified in 2022/23	Progress achieved
Transformation Programme Delivery of a Transformation Programme tasked with saving £4m in 2024/25, £8m in 2025/26, and £8m in 2026/27.	The Reimagine Halton Transformation Programme mobilised in 2023/24 and consists of five key projects as we moved in to 2024/25 – these are focused on Children's Services, Adult Social Care, Council workforce, accelerating the growth of the Borough, and Customer Journey. Savings and cost reductions validated and captured at the end of May 2024 amount to £700k, along with a range of non-financial benefits. Governance of the programme has sat with the Executive Board since its inception. During Summer 2024, a dedicated Transformation Programme Board will be formed with the Executive Members making up its membership. This will provide enhanced governance now that the programme has grown in breadth and complexity.
Children and Young People's Improvement Plan Implementation of Children and Young People's Improvement Plan developed in response to the Ofsted improvement notice issued in October 2021.	The Ofsted Improvement Board has met regularly to monitor progress against the Ofsted Improvement Action Plan. The Board has an independent Chair and representatives from the Department for Education to help support the process. It also includes the Portfolio Holder for Children's, the Chief Executive, and representatives from the Children's, Adults and Chief Executive's directorates, along with partners from Police and Health.
CIPFA Financial Management Code Self-assessment against the CIPFA Financial Management Code. The Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.	This review was not completed due to capacity issues and has been carried forward into the 2023/24 action plan.

2023/24 Governance Review – Action Plan

Development areas identified in 2023/24	Lead Officer	Timescale
Transformation Programme The Council is to ensure that the Transformation Programme is sufficiently developed to meet the medium-term financial funding gap and to replenish its reserves. (Key recommendation 1 from the External Auditor's annual report on Halton Borough Council – March 2024)	Corporate Director - Chief Executive's Delivery Unit	31 March 2025
Risk Management The Council will continue to improve and develop its approach to risk management in accordance with the recommendation made by the external auditor. (Key recommendation 2 from the External Auditor's annual report on Halton Borough Council – March 2024)	Corporate Director - Chief Executive's Delivery Unit	31 March 2025
Performance Management The Council will continue to improve and develop its approach to performance management in accordance with the recommendation made by the external auditor. (Key recommendation 3 from the External Auditor's annual report on Halton Borough Council – March 2024)	Corporate Director - Chief Executive's Delivery Unit	31 March 2025
Special Educational Needs / Disabilities (SEND) The Council will work with partners to address the five key areas for priority action that were outlined in the CQC and Ofsted inspection of the Halton Local Area Partnership that took place in November 2023.	Senior Operational Lead - SEND	31 March 2025

2023/24 Governance Review – Action Plan

Development areas identified in 2023/24	Lead Officer	Timescale
Workforce Development Strategy The Council will continue to implement its Workforce Development Strategy to identify skill gaps and by designing interventions to equip employees with the necessary competencies to meet the demands of the evolving organisation. The three key areas of the strategy are: • Implement the Values and Behavioural Framework • Develop and implement an Employee Review Process • Developing a new approach to Succession Planning	Corporate Director - Chief Executive's Delivery Unit	31 March 2025
Corporate Complaints Procedure The Local Government Ombudsman – Complaint Handling Code was launched in February 2024. The Code sets out a process for organisations that will allow them to respond to complaints effectively and fairly. The purpose of the Code is to enable organisations to resolve complaints raised by individuals promptly, and to use the data and learning from complaints to drive service improvements. The Code has been issued as "advice and guidance" for all local councils in England under section 23(12A) of the Local Government Act 1974. This means that councils should consider the Code when developing complaint handling policies and procedures and when responding to complaints. The Council will therefore complete a review of its corporate complaints procedure during 2024/25 and adopt the Code into its existing working practices.	Assistant to the Chief Executive	31 March 2025
CIPFA Financial Management Code A self-assessment against the CIPFA Financial Management Code will be completed. The Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. (Action carried forward from 2022/23 annual governance statement)	Director - Finance	31 March 2025

2023/24 Governance Review – Action Plan

Development areas identified in 2023/24	Lead Officer	Timescale
Connect2Halton Joint Venture The Council has entered into a joint venture partnership with the Commercial Services Group, for the provision of agency staffing required within Council departments. Robust governance arrangements for the joint venture partnership will be established prior to the partnership becoming operational later in the 2024/25 financial year.	Corporate Director - Chief Executive's Delivery Unit	30 September 2024

Certification

We have been advised on the implications of the review of the effectiveness of the governance framework by the Audit and Governance Board. The review provides good overall assurance that the Council's arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Specific opportunities to maintain or develop the Council's governance arrangements have been identified through this review. We pledge our commitment to addressing these issues over the coming year and we will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Halton Borough Council:

Stephen Young - Chief Executive

Date -

Mike Wharton - Leader of the Council

Date -

REPORT TO: Audit and Governance Board

DATE: 20 November 2024

REPORTING OFFICER: Director, Finance

PORTFOLIO: Corporate Services

SUBJECT: 2023/24 Statement of Accounts, Audit Findings Report and Letter of Representation

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to seek approval for the Council's Letter of Representation, to consider the Audit Findings Report of the External Auditor (Grant Thornton), and to approve the Council's 2023/24 Statement of Accounts.

2.0 RECOMMENDED: That

1) **The draft Letter of Representation in Appendix 1 be approved;**
2) **The External Auditor's 2023/24 Audit Findings Report in Appendix 2 be received; and**
3) **The Council's 2023/24 Statement of Accounts in Appendix 3 be approved.**

3.0 BACKGROUND

3.1 The Statement of Accounts sets out the Council's financial performance for the year in terms of revenue and capital spending and presents the year-end financial position as reflected in the balance sheet.

3.2 The Statement of Accounts draft version will be updated based on adjustments agreed with External Audit during the course of the audit. Non-trivial adjusted misstatements, misclassifications and disclosure changes to the draft accounts are reported at Appendix D to the Audit Findings Report.

3.3 The format of the Statement of Accounts is heavily prescribed by the Accounts and Audit Regulations and the Code of Practice on Local Authority Accounting (The Code).

3.4 The Statement of Accounts for 2023/24 has been prepared in full compliance with International Financial Reporting Standards (IFRS).

3.5 Grant Thornton will attend the meeting to present the report of their findings, the Audit Findings Report.

3.6 Section 2 of the Audit Findings Report presents the findings of the External Auditor in respect of matters and risks identified at the planning stage of the audit and additional and significant matters that arose during the course of their work.

3.7 Each year the Council is required to provide the External Auditor with a Letter of Representation relating to the financial statements. This provides a number of assurances to the External Auditor in connection with the preparation of the Council's accounts. The letter is required to be signed by the Chair of the Board on behalf of the Council.

4.0 KEY SECTIONS WITHIN THE STATEMENT OF ACCOUNTS

4.1 The Council's 2023/24 Statement of Accounts is presented in Appendix 3. The Narrative Report by the Operational Director, Finance summarises the Council's financial performance for 2023/24, including revenue and capital spending.

4.2 The Comprehensive Income and Expenditure Statement (CIES) presents gross expenditure, gross income and net expenditure for 2023/24 along with the previous year's comparison. The Net Cost of Continuing Operations is adjusted by a number of appropriations to give the Total Comprehensive Income and Expenditure. The CIES reports on how the Council performed during the year and whether its operations resulted in a surplus or deficit.

4.3 The Council's Balance Sheet sets out the Council's financial position as at 31 March 2024, along with a comparison to the position as at 31 March 2023. The balance sheet is a snapshot of the Council's financial position at a specific point in time, showing what it owns and owes at 31 March.

4.4 The Movement in Reserves Statement presents a summary of the changes in the Council's main reserves during the year. Reserves represent the Council's net worth and show its spending power. Reserves are analysed into two categories: usable and unusable.

4.5 The Cashflow Statement provides an overall analysis of the movements in cash and cash equivalents during the year.

4.6 Detailed notes relating to items within the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement and Cashflow Statement are shown under Notes to the Core Financial Statements.

4.7 The Collection Fund and associated notes summarise the transactions in respect of the collection of Non-Domestic Rates and Council Tax, along with the distribution to the Council's own General Fund and to the Precepting Authorities (Fire, Police, LCR Combined Authority and Parishes).

4.8 The Statement of Responsibilities outlines the basis upon which the Statement of Accounts has been prepared and is followed by a statement of the Council's Accounting Policies.

4.9 The External Auditor has used the draft Statement of Accounts as the basis for undertaking the annual audit of accounts, for which their Audit Report and Certificate is included within the final Statement of Accounts.

5.0 **ACTION PLAN**

5.1 Appendix B of the Audit Findings Report presents an action plan of recommendations for future improvement to the Statement of Accounts. The recommendations made by the External Audit team will be reviewed by management for appropriate action.

6.0 **PRIOR YEAR RECOMMENDATIONS**

6.1 The 2022/23 Audit Findings Report identified a number of recommendations to improve the process and presentation of the Council's Statement of Accounts. These recommendations were reviewed by the Audit and Governance Board on 20 March 2024. All but two of the recommendations have been incorporated. Management consider the existing controls in place for journal authorisation are appropriate, therefore no additional action needs to be taken. Secondly, work is ongoing in improving the process to ensure school bank account reconciliations are routinely prepared and retained.

7.0 **NEXT STEPS**

7.1 Following the meeting the Letter of Representation will be signed and the External Auditor will provide their audit opinion. The Statement of Accounts will then be published and made available to the public via the Council's website.

8.0 POLICY IMPLICATIONS

8.1 None.

9.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

9.1 **Improving Health, Promoting Wellbeing and Supporting Greater Independence**
There are no specific implications

9.2 **Building a Strong, Sustainable Local Economy**
There are no specific implications

9.3 **Supporting Children, Young People and Families**
There are no specific implications

9.4 **Tackling Inequality and Helping Those Who Are Most In Need**

There are no specific implications

9.5 **Working Towards a Greener Future**
There are no specific implications

9.6 **Valuing and Appreciating Halton and Our Community**
There are no specific implications

10.0 RISK ANALYSIS

10.1 The Accounts and Audit Regulations require that the Statement of Accounts is certified by the External Auditor and published by 30 September 2024. If this date is breached the Council will publish a Public Notice giving reasons for the delay.

11.0 EQUALITY AND DIVERSITY ISSUES

11.1 None.

12.0 CLIMATE CHANGE IMPLICATIONS

12.1 None

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

Document	Place of Inspection	Contact Officer
Accounts and Audit Regulations 2015	Halton Stadium	Steve Baker Divisional Manager, Revenues and Financial Management
Code of Practice on Local Authority Accounting in the UK 2023/24	Halton Stadium	Steve Baker Divisional Manager, Revenues and Financial Management

APPENDIX 1

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Date: TO BE DATED SAME DATE AS DATE OF AUDIT OPINION

Dear Sirs

Halton Borough Council
Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of Halton Borough Council for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of land and buildings and the net defined pension liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the Council has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached below. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. The prior period adjustments disclosed in Note 43 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

a. the nature of the Council means that, notwithstanding any intention to liquidate the Council or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

xvi. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

xvii. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

xviii. We have communicated to you all deficiencies in internal control of which management is aware.

xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Governance Board at its meeting on 20 November 2024.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

STATEMENT OF ACCOUNTS

2023/24

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Supplementary Financial Statements

Other

Narrative Report by the Director of Financial Services

Introduction

The aim of this narrative is to provide an understandable guide to the Council's year-end financial position and future outlook which are relevant to the performance of the Council.

The Statement of Accounts sets out the Council's income and expenditure for the year and also provides a snapshot of the financial position as at 31st March 2024. Included are core financial statements supported by supplementary statements, which will help to provide an analysis of the financial performance of the Council over the financial year 2023/24.

Whilst the publication of the Statement of Accounts is a statutory requirement, the purpose is to provide stakeholders with clear information regarding the Council's financial performance over the past year. The Council continues to review the style and content of information within the Statement of Accounts to ensure the content included is relevant and material from both a quantitative and qualitative viewpoint.

The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting 2023/24 (known as The Code), which in turn is underpinned by International Financial Reporting Standards.

The Core Statements are:

- **Comprehensive Income and Expenditure Statement** – this statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount which is funded from taxation. The end result is a very different position to how net outturn spend compared to budget is reported. A reconciliation between the two is provided as part of this narrative statement and also the Expenditure and Funding Analysis Statement, included within Note 1.

- **Balance Sheet** – The Balance Sheet shows the value as at 31st March 2024 of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

- **Movement in Reserves Statement** – this statement shows the movement in the year on the different reserves held by the Council, analysed into "Usable Reserves" i.e. those that can be applied to fund expenditure (both capital and revenue) or reduce local taxation, and "Unusable Reserves", reserves which highlight changes to unrealisable gains or losses.

- **Cash Flow Statement** – this statement shows the changes in cash and cash equivalents (cash invested for 3 months or under) of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

- **Notes to the above Statements** – extensive notes to support the core statements are set out in accordance with the requirements of the Code. The notes shall:
    1. Present information about the basis of preparation of the financial statements and the specific accounting policies used.
    2. Disclose the information required by the Code that is not presented elsewhere in the core financial statements.

The Supplementary Financial Statements are:

- **Collection Fund Account** – this is a statement that reflects the statutory obligation for the Council as a billing authority to maintain a separate Collection Fund. The statements show the transactions of the Council in relation to the collection from taxpayers and distribution to major and local preceptors of council tax and non-domestic rates.

Other Statements / Financial Reports are:

- **Statement of Responsibilities for the Statement of Accounts** – this statement sets out the responsibilities of the Council and the Chief Financial Officer (Section 151 Officer).
- **Statement of Accounting Policies** – this statement explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.
- **Independent Auditor’s Report to Members** – this is the report and certificate following the external audit of the Council’s accounts, carried out by Grant Thornton UK LLP.

Organisational Overview

The Council is structured with an Executive Board comprising ten portfolio holders, whose areas of responsibility reflect the Council’s corporate priorities. There are six Policy and Performance Boards and an Audit and Governance Board, which also reflect the corporate priorities and undertake an overview and scrutiny role, along with a number of regulatory and other boards. Financial and non-financial key performance indicator data is reported to Policy and Performance Boards on a quarterly basis and is published on the Council’s website. Council-wide revenue and capital financial performance is also reported to Executive Board on a quarterly basis.

Council Operational Structure

The Council's operational structure is made up of five directorates, led by Executive Directors, who along with the Chief Executive make up the Council's senior management team. It has responsibility for the day-to-day management of the Council and responsibility for delivering the priorities set out within the Corporate Plan.

The five directorates are:
• Adults Directorate
• Chief Executive's Directorate
• Children's Directorate
• Environment & Regeneration Directorate
• Public Health Directorate

Governance

Further details regarding the effectiveness of the Council's governance arrangements can be found in the Annual Governance Statement which is reviewed, reported and published annually alongside the Statement of Accounts.

Partnership Working

The Council operates with a Joint Senior Leadership Team (JSLT) between HBC Adult Social Care and NHS Cheshire and Merseyside Integrated Care Board (ICB), responsible for the direction, oversight, monitoring of the Better Care Fund (BCF) Plan and associated Pooled Budget. The JSLT is supported in this duty via the Better Care Commissioning Advisory Group (BCCAG). The BCCAG reviews in detail information pertaining to BCF Plan, impact of the Pool Budget, quality, performance, activity and finances, and make recommendations to the JSLT on remedial action plans or future use of the Pool as appropriate.

By working together collaboratively and in partnership, the JSLT is able to achieve and sustain good health and wellbeing for the people of Halton and is able to provide a range of options to support people in their lives by jointly designing and delivering services around the needs of local people rather than focusing on the boundaries of individual organisations. This aids in the ability to ensure that services are sustainable, particularly with continued challenges.

The Council is a member of the Liverpool City Region (LCR) Combined Authority and works closely with the other five member councils in respect of a number of key service areas, including economic regeneration, highways and transport services. In addition, the Council is part of the LCR Business Rates Retention pilot scheme, designed to incentivise councils to develop their local economy by permitting them to retain any resulting growth in business rates. The pilot scheme will continue to operate through 2024/25, however participation in the scheme beyond March 2025 is uncertain.

Corporate Plan

In March 2023 the Council adopted an interim (one-year) Corporate Plan with the aim of providing adequate opportunity for meaningful consultation, and sufficient time to produce a Corporate Plan which is totally unique and meaningful to the people of Halton.

In March 2024 the Council approved a new Corporate Plan. The Corporate Plan sets out the Council's priorities and ambitions of what it wants to achieve for the residents, communities, and businesses of Halton between 2024 and 2029.

The Corporate Plan has six priority areas, consisting of:

Priority 1 - Improving Health, Promoting Wellbeing and Supporting Greater Independence - Encouraging good quality health, wellbeing and social care, by involving everyone in our community. To support the people of Halton to feel safe, be active, happy and lead their best lives.

Priority 2 - Building a Strong, Sustainable Local Economy - Fostering a strong, diverse local economy where there is access to good jobs and successful businesses in our community, providing opportunities for all.

Priority 3 - Supporting Children, Young People and Families - Supporting families to nurture and protect every child and young person and raise their aspirations. We will invest in Early Years, education and youth provision to ensure they reach their full potential and help Halton families flourish.

Priority 4 - Tackling Inequality and Helping Those Who Are Most In Need - Addressing inequalities by helping the people of Halton to receive the good quality and accessible advice, information and services that they need to achieve their aspirations and ambitions.

Priority 5 - Working Towards a Greener Future - Working with everybody to keep our neighbourhoods clean and tidy, and create a sustainable environment for current and future generations.

Priority 6 - Valuing and Appreciating Halton and Our Community - Supporting Halton's residents to live in decent and affordable homes, surrounded by safe and thriving communities.

Transformation Programme

The past decade of public austerity continues to have a significant impact on the Council. Using the Government's own interpretation of Spending Power, since 2010/11 Halton has had its spending power reduced in real terms by £52.4m (26%), the equivalent of £896 per dwelling. This compares to an average reduction for all English councils of 18.1%, the equivalent of £556 per dwelling. This continues to bring exceptional challenges for the Council in setting a robust, balanced budget each year whilst continuing to deliver high quality, essential public services. During the same period, demand and costs for adults' and children's social care services continues to increase, adding further challenges and pressures on the budget.

On 1st February 2023 Council approved the three-year transformation programme and funding arrangements. The programme formally commenced on 1st April 2023, and is an addition to the Council's establishment using a mix of seconded employees from other service areas and external expertise. The programme is funded through £7m of capital receipts as per the capitalisation direction agreed with Central Government. The programme is tasked with identifying efficiency savings of £4m in 2024/25, £8m in 2025/26 and £10m in 2026/27.

Over the past year the Transformation Programme has moved into the delivery phase and a number of priority action areas have commenced; these include:

- Enabling Greater Independence and Flexibility for Adults.
- Becoming an Employer of Choice.
- Simplifying the Customer Journey – a digital vision and delivery strategy for the Council linked to focused investment in long term delivery capability, people and platforms.
- A Stable, Sustainable Children's Service
- Children's SEND
- Environment and Regeneration – Maximising Outcomes and Opportunities
- Environment and Regeneration – Accelerating Growth

Children's Services

An improvement notice was issued to Halton Borough Council following an Ofsted inspection in October 2021. Two areas were for priority action:

• The assessment and management of risk to children, including the frequency of visits to children, in line with assessed risk and needs
• Management oversight and supervision to provide effective support and challenge

In response to the inspection the Council has developed a Children and Young People's Improvement Plan. The plan sets out how the Council will ensure that children and young people in Halton are safeguarded and achieve the Council's aspiration that all its services for children and young people are good or better.

This Improvement Plan sets out key actions that focus on what the Council needs to do to ensure that its work makes a difference to the children, young people and families that are supported and safeguarded.

Progress in implementing the Improvement Plan is being monitored through the Halton Improvement Board. The Board is independently chaired and consists of the Council's key partner agencies, DfE representatives, Children's and corporate colleagues, who all have a vital role to help create the environment where good social work can flourish.

In November 2023, Ofsted undertook an Area SEND inspection and identified 5 areas for priority action across the local area partnership:

- Leaders at Halton local authority and the NHS Cheshire and Merseyside ICB should cooperate at pace to improve the shared strategic oversight, governance, support and challenge to drive improvements to meet the needs of children and young people with SEND in Halton.

- Leaders in the local authority, ICB and education, health and social care providers should improve the efficiency and quality of their information gathering and sharing processes to ensure that children's and young people's needs are understood accurately and met more swiftly and effectively through coordinated approaches.

- Leaders across education, health and social care should improve the joint commissioning of services to ensure that children, young people and their families receive sufficient support to have their needs met effectively.

- Leaders across education, health and social care should urgently improve the early identification of needs and access to specialist health pathways, including the neurodevelopmental assessment pathway and speech and language therapy and the support available, while children and young people wait.

- Leaders across education, health and social care should improve the timeliness of new EHC plans and updates to EHC plans following the annual review process, so that, if appropriate, children and young people receive an effective EHC plan within statutory timescales.

Following the inspection Halton were required to produce a Priority Action Plan, to address the priority areas of weakness. The Priority Action Plan is monitored by the newly established SEND Strategic Improvement Board and an Independent Chair is now in place. The Board is made up of Stakeholders from all SEND related Services across the area, and parent representatives. The role of the board is to hold stakeholders to account and to rigorously monitor and challenge progress across all 5 Priority Action Areas. To date, 17% of all actions in the plan are marked as complete with a further 51% on target to be completed within the identified timeframe. 30% of actions are marked as delayed, but notably no actions are identified as significantly delayed or not expected to meet target. 2% of targets are noted to be not started, however as noted above those actions are held within plans with a large number of actions and are dependent on the completion of other actions.

Financial Performance 2023/24

The Council incurs both revenue and capital expenditure. Revenue expenditure is generally on items which are used in the year and net expenditure is generally financed by council tax, retained business rates and top-up funding. Capital expenditure generally has a life beyond one year and increases the value of an asset. The financing of capital expenditure is charged to revenue over a number of years in accordance with statutory requirements.

The Council operates a pilot scheme for the retention of 99% of business rates (the remaining 1% going to Cheshire Fire and Rescue Service). The pilot is part of a scheme with all six member authorities of the Liverpool City Region. Government gave a guarantee that as a result of the pilot the Council would be no worse off than had it continued with business rate retention of 49%.

The impact of the pilot scheme for the Council is that both Revenue Support Grant and Improved Better Care Fund are no longer paid as separate grants but instead replaced by the additional retained business rates and an increased element of top-up funding.

On 8th March 2023 Council set a 2023/24 revenue budget of £140.9m, revised during the year to £141.8m. At the same time Council approved a council tax requirement for the year of £60.8m, setting the Band D rate at £1,675.29 (excluding preceptors). This was inclusive of a 2.99% increase to basic council tax and a 2% increase to the Adult Social Care precept levy.

For 2023/24 the Council's total Government Settlement Funding Allocation was £55.5m. This is made up of £52.2m Business Rates Baseline Funding and Top-Up Grant of £3.3m. The increase to the Settlement Funding Assessment from 2022/23 was 4.8%, representing the high inflation rate at the time. Government also provided a grant of £11.6m, ring-fenced specifically for social care. Whilst this represented an increase of £4.5m (64%) on the previous year, it was insufficient to keep pace with increasing demand and costs for both children's social care and adult social care.

Additional funding of £1.5m (Market Sustainability and Improvement Fund Grant) was allocated at the start of the financial year which helped to address pressures within adult social care, specifically to address discharge delays, social care waiting times, low fee rates and workforce pressures.

The financial settlement also reported a reduction in Services Grant paid to the Council. The grant payable to Halton dropped from £2.5m to £1.5m. Little information was provided on the reasons for this.

Funding of the Council's budget position continues to be driven by locally raised taxes (i.e.. council tax and business rates) as opposed to support from Central Government. In 2010/11 local taxes accounted for 60% of the Council's net budget, compared to over 97% for 2023/24.

Financial performance and outturn forecasts of the Council's annual net spend are reported on a quarterly basis to both the Executive Board and Policy & Performance Boards.

A budget risk register is maintained on a quarterly basis, key risks are evaluated and control measures put in place.

Going back to the start of austerity measures in 2010/11 the Council's budget has consistently been under financial pressure. Starting with large decreases in Government funding from 2010/11 followed by notable increases in demand pressures (predominantly within social care), has created a challenge each year in setting a balanced budget.

Overall, the Council reported net spend for the year of £147.4m, £5.6m over the revised budget of £141.8m. The final position was an improvement on the forecast outturn of £7.1m estimated at the end of December 2023 but still represents a major concern for the Council given the value of the overspend. Further details on day-to-day operational spending are included further on in this report.

The final overspend against budget was funded through a review of Council earmarked reserves. This had the impact of the Council's General Fund balance of £5.1m remaining consistent from the reported position as at 31st March 2023.

The Council holds earmarked reserves which have been set aside to cover known future one-off costs. These reserves are reviewed on a quarterly basis and released for general fund purposes where possible. The value of earmarked reserves as at 31st March 2024 total £35.5m, a significant decrease from earmarked reserves of £109.1m held in March 2023. This is explained in the movement of reserves held for the Mersey Gateway project.

During the year a performance review of the Mersey Gateway project was undertaken by Mersey Gateway Crossing Board (MGCB) and the Department for Transport (DfT). This review covered the period October 2017 to March 2023 and future reviews will be undertaken every 3 years.

As part of the review an exercise was undertaken regarding the excess revenue share procedure. This identified that up to March 2023 the excess income from the project over and above project costs was £52.647m. The share to the Council of this amount is £7.897m, with £44.750 being payable to DfT.

Included within schedule 3 of the Mersey Gateway Road User Charging Scheme are restrictions on how the Council can utilise the excess share. Included as part of these is the following:

- Making payments to the Council's General Fund for the purpose of directly or indirectly facilitating the achievement of policies relating to public transport in its Local Transport Plan (LTP).

Since April 2018 (the first full year of Mersey Gateway being operational), the council has incurred costs of £16.510m in funding LTP initiatives. The Council's share of excess funding meets these conditions and therefore form part of overall reserves available to balance 2023/24 and future-year budgets.

The table below shows the cost of meeting the LTP over the 5 years from 2018/19 to 2022/23.

		2018/19 Spend £000	2019/20 Spend £000	2020/21 Spend £000	2021/22 Spend £000	2022/23 Spend £000	Total Spend £000
Highways Maintenance	Maintain roads and footpaths to appropriate standards. Provide adequate winter maintenance to roads and footpaths	2,228	2,362	2,699	2,369	2,739	**12,397**
Street Lighting	Maintain street lights to best possible standards ensuring energy efficiency	157	165	(43)	50	35	**364**
School Crossing Patrol	Continue to ensure road safety	80	77	75	78	74	**384**
Bus Shelters	Good quality timetable information	22	44	20	5	28	**119**
Independent Traveller Trainer and Travel Training Co-ordinator	Continue to provide travel training for vunerable young people and adults	61	64	64	67	74	**330**
Bus Support	Ensure a good reliable bus service which is accessible to all. High frequency services	554	503	457	666	736	**2,916**
Total		**3,102**	**3,215**	**3,272**	**3,235**	**3,686**	**16,510**

Details of the earmarked reserves are shown in Note 36.

The table below shows the movement on the Council's General Fund position compared to budget.

	2023/24 Original Budget £000	2023/24 Actual £000
Net Expenditure	140,880	147,405
Parish Precepts	167	167
Total	**141,047**	**147,572**
Financed by Local Taxpayers – Council Tax	(60,881)	(60,881)
Financed by Local Taxpayers – Business Rates*	(73,724)	(74,616)
Financed by Local Taxpayers – Council Tax Surplus	(3,123)	(3,123)
Financed by Top-Up Funding	(3,319)	(3,319)
(Surplus)/Deficit for Year	**-**	**5,633**
Use of Earmarked Reserves	**-**	**(5,633)**
General Fund Balance Brought Forward	**(5,149)**	**(5,147)**
General Fund Balance Carried Forward	**(5,149)**	**(5,147)**

*Note – Actual level of business rates receipts in 2023/24 of £74.616m was £0.892m higher than forecast when the 2023/24 budget was set due to a recalculation by Government of the business rates baseline and a one-off adjustment to the business rates top-up grant.

Financial Performance 2023/24 – Operational Spending

In overall terms, net Council spending as at 31st March 2024 was £5.6m over budget. This was an improvement from the forecast outturn position of £7.144m reported at the end of December 2023, showing that actions being taken by the Council to reduce spend are having a positive impact. Whilst an improved position, it still has a significant detrimental impact upon the Council's finances and further reduces the Council's limited reserves.

The outturn position continued to show overspend positions across the majority of departments, with the exceptions of Public Health and the Environment & Regeneration Directorate departments. The largest pressure on the budget continues to be within the Children's Directorate, where net spend for the year was over the approved budget by £10.0m

The pay award, high inflation rates, increasing service demands and use of agency staff, continue to have a serious negative impact upon the Council's financial position. As such there continues to be a real urgency for the Council to progress the Transformation Programme with great urgency.

Detailed information on the Council's 2023/24 financial performance can be found on the Council's website at this link.

Schools

Expenditure incurred in relation to the Schools budget, both by individual schools and the Council totalled £89.0m and is shown in more detail in Note 8.

School balances at 31st March 2024 total £6.5m (£7.2m 31st March 2023).

At 31st March 2024 there was a deficit of £5.3m (£2.9m 31st March 2023) of schools related central spend compared to the available funding. This balance will be carried forward into 2024/25. The Council are currently working with the Department for Education as part of the Delivering Better Value in SEND programme, aiming to support local authorities and their local area partners to improve the delivery of SEND services for children and young people whilst working towards financial sustainability.

Comprehensive Income & Expenditure Statement

As previously mentioned the Council's overspend position of £5.6m against budget was funded from earmarked reserves which helped to protect the General Fund position. Therefore, whilst there was no movement to the General Fund balance, the accounting position presented in the Comprehensive Income & Expenditure Statement (CIES) shows a surplus for the year of £8.210m. The CIES takes a wider view of financial performance than that shown in the General Fund and shows the true accounting position for the year. This surplus represents the total amount by which the Council's equity has increased over the year as shown in the Balance Sheet.

Supporting the CIES is the Expenditure and Funding Analysis included in Note 1 to the accounts. It shows the movement by Council directorate from the year-end outturn position reported to the Council's Executive Board to what is included in the deficit position on the provision of services, included as part of the CIES.

The table below reconciles the General Fund overspend, via the deficit position on the provision of services, to the total surplus for 2023/24 on the Comprehensive Income & Expenditure Statement. Included below the table are supporting notes to the amounts within the table.

	2023/24 £000
General Fund Overspend	**-**
Accounting Adjustments Provision of Services:	
Adjustment for Capital Purposes	
- Depreciation, Impairment and Revaluation Losses of Non-Current Assets	26,299
- Capital Grant Income	(11,553)
- Revenue Expenditure Funded from Capital	9,783
- Gain on De-Recognition of Non-Current Assets	(1,302)
- Minimum Revenue Provision	(11,410)
- Other Capital Adjustments	(9,874)
Pension Adjustments	(337)
Movement in Reserves	11,135
Other Differences	2,754
Deficit on the Provision of Services	**15,495**
Accounting Adjustments Other:	
Surplus on Revaluation of Non-Current Assets	(23,669)
Gain on Pension Assets	(12,385)
Gain on Pension Assumptions (Demographic, Financial and Other)	(18,298)
Pension Asset Ceiling Adjustment	30,780
Revaluation of Financial Assets Measured at Fair Value Through Other Comprehensive Income	(133)
Total Comprehensive Income & Expenditure	**(8,210)**

Adjustment for Capital Purposes

- Depreciation and Revaluation Loss of Non-Current Assets – Reflects the annual cost of assets consumed during the year
- Capital Grant Income – Used to help fund the capital programme, recognised in the CIES in line with proper accounting practice.
- Revenue Expenditure Funded from Capital – Capital funded expenditure charged to the CIES under statute.
- Gain on De-Recognition of Non-Current Assets and Financial Instruments – Largely net capital receipt gains over the year.
- Minimum Revenue Position – Amount set aside in the General Fund to recognise the repayment of debt. In line with proper accounting practice this is not required to be included in the CIES.

- **Pension Adjustments** - Denotes the difference between the accounting cost of pensions (included in the CIES) and the actual employer contributions to the pension fund. More information on pensions is included elsewhere within the narrative report.
- **Movement in Reserves** - As per proper accounting practice, changes to reserves are not required to be included in the CIES.
- **Other Differences** – Includes the Collection Fund adjustment, i.e. the difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to council tax and business rates.
- **Surplus on Revaluation of Non-Current Assets** - Increase in the value of those non-current assets that have been revalued during the year.
- **Gain on Pension Assets / Loss on Pension Adjustments** – Information on these adjustments is included within the Pension Liability heading as part of the narrative report.
- **Pension Asset Ceiling Adjustment** – An adjustment to reflect the amount by which the pension asset attributable to the Council exceeds the accrued pension liability, which is not able to be immediately realised by the Council.
- **Revaluation of Financial Assets Measured at Fair Value Through Other Comprehensive Income** – Increase in the value of financial instruments held. This has no impact on the General Fund.

Capital Planning

The Council prepares and reports a rolling capital programme to forecast the probable level of capital spend over the next three years, along with the likely sources of funding. The Council also maintains a capital reserve, which has been generated from revenue contributions in order to support funding the capital programme. The forecast shows that there are sufficient resources over the medium-term to cover the current capital programme, funded from borrowings, grants, revenue contributions, capital receipts and use of reserves.

At 31st March 2024 unused capital receipts were £5.0m, and the balance on the revenue backed capital reserve was £0.5m. The forecast level of receipts as at 31st March 2027 is £5.0m. This is inclusive of meeting the costs of the Transformation programme over the next two years.

The Council considers any new additions to the capital programme in light of the resources available.

On 6th March 2024, Council approved the 2024/25 Capital Strategy. This helps to provide a high-level, long-term overview of how capital expenditure, capital financing and treasury management will contribute to the provision of services. It also provides an overview of how associated risks are managed and implications for future financial sustainability. The Council's Asset Management Working Group meet on a quarterly basis to plan and develop the Council's Asset Management Plan.

Capital Expenditure

The Council spent £44.2m on capital schemes in 2023/24 compared with planned expenditure of £62.2m (which historically assumes 20% slippage in the £77.8m capital programme). The shortfall of spending is linked mainly to delays on Bridge and Highway Maintenance schemes. Major elements of spend on the 2023/24 capital programme include £17.6m on Halton Leisure Centre, £2.2m on East Runcorn Connectivity and £2.3m on the Transformation Programme.

The approved budget and capital outturn position, together with the various sources of funding is as follows:

	2023/24 Budget £000	2023/24 Actual £000	2023/24 Variance £000
Expenditure:			
Chief Executive's Directorate	16,759	2,663	14,096
Environment & Regeneration	51,841	36,739	15,102
Adult Social Care	3,049	1,575	1,474
Children's Services incl. Schools	6,204	3,225	2,979
Total Expenditure	**77,853**	**44,202**	**33,651**
Funded By:			
Borrowing	(32,479)	(21,014)	(11,465)
Capital Receipts	(5,406)	(3,238)	(2,168)
Revenue	(144)	(294)	150
Grants and Other Contributions	(39,822)	(19,656)	(20,166)
Total Funding	**(77,851)**	**(44,202)**	**(33,649)**

Analysis of capital expenditure is included as part of the notes to the financial statements in Note 16.

Pension Liability

Under International Accounting Standard 19, the Council is required to adjust its accounts to reflect the activities of the two major pension providers, the Cheshire Pension Fund and the Teachers' Pension Agency.

As at 31st March 2024, the Council has defined pension net liabilities of £4.5m. This is a decrease of £0.2m to the net liabilities of £4.7m from 31st March 2023. Scheme obligations have increased by £5.0m over the course of the past year, and an increase of £40.7m linked to the scheme assets attributable to the return on plan assets. Due to accounting regulations the net pension asset value has been reduced by £137.0m due to the asset ceiling calculation. Please see Note 32 for further details.

Funding levels of the pension fund are monitored on an annual basis. Following the triennial review in 2022, Council contribution rates to the pension fund have remained static at 20.5% for 2023/24 and will then fall to 20% in each of the following two years. These future contribution rates reflect the relatively good performance of the pension fund over the last number of years.

Treasury Management

The Council operates within a Treasury Management framework, which requires that each year a strategy is prepared including setting prudential indicators to form a framework for the Council's borrowing and lending activities. The Council has adopted the CIPFA Code of Practice on Treasury Management. Performance is regularly monitored throughout the year with reports presented to the Council's Executive Board at the halfway point of the year and a report on the final outturn position.

Over the past year there has been an upwards surge in the Bank of England interest rate, increasing from 0.75% in March 2022 to 5.25% in March 2024. The increase in rates over the years has enabled the Council to take advantage and increase the level of interest generated from cash reserves.

The Council's Treasury Management Strategy for 2024/25 was approved by Council on 6th March 2024. The aim of the treasury management operation is to ensure that cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments, with security being prioritised over yield.

As at 31st March 2024 long term borrowing totalled £172m, well within the authorised borrowing limit. Borrowing of £172m comprises of loans from the Public Works Loan Board.

Of the £172m, total borrowing of £142m relates to the contribution from the Council towards the Mersey Gateway Bridge construction costs. This borrowing has been taken with a maturity period of between 26-30 years and will be repaid fully using toll income from the Mersey Gateway Crossing.

The Council's cash flow position continues to be well managed. Cash held (and deposits payable within 3 months) totals £57.4m (£12.2m in 2022/23), and short-term deposits (up to 1 year) total £24.6m (£65.8m in 2022/23). Deposits over 12 months total £15.0m (£16.7m in 2022/23) and £8.5m (£8.9m in 2022/23) is held as a longer-term investment in a property fund.

The Council has a prompt payment discount scheme, whereby in agreement with suppliers it will arrange early payment of invoices in return for a percentage discount on the invoice total, a scheme that is equally beneficial to both parties.

All transactions relating to investments and borrowings complied with the approved guidelines for the year. Treasury management risk is evaluated within the Treasury Management Strategy and reviewed by the Council's Internal Audit function.

Collection Fund

The transactions on this fund record the collection of council tax and non-domestic rates.

The Business Rate Retention Scheme was implemented on 1st April 2013 with the Liverpool City Region pilot scheme introduced on 1st April 2017. As part of the pilot scheme the Council collects non-domestic rates on behalf of Cheshire Fire & Rescue Service, and itself.

For the period to 31st March 2024 the Council as the Billing Authority collects council tax on behalf of Cheshire Fire & Rescue Service, Cheshire Police & Crime Commissioner, Liverpool City Region Combined Authority, and itself.

As at 31st March 2024 the council tax position showed the Council had a gross surplus position of £0.298m (to be shared with major preceptors). In setting the 2024/25 budget the Council approved the use of £0.234m of the Collection Fund surplus in balancing the overall budget.

As at 31st March 2024 the Business Rates position showed the Council had a gross surplus position of £2.738m. This is slightly higher than the £2.472m which was forecast in January 2024 to be used towards balancing the 2024/25 budget.

Further details on the Collection Fund can be found within the supplementary financial statements.

Performance Measures 2023/24

The Council's interim Corporate Plan for 2023/24 identified the Council's vision, values and principles and six strategic themes which underpin the work of the various departments and service areas across the Council. They are:

- Halton's Children & Young People
- Employment, Learning & Skills in Halton
- Environment & Regeneration in Halton
- Healthy Halton
- Safer Halton
- Corporate Effectiveness and Efficiency

These strategic themes provide the basis for the development of key actions and activities, and performance measures, which are reported on a quarterly basis to the Policy and Performance Board with responsibility for scrutiny in each of these strategic areas. These Priority Based Performance Reports also contain information concerning the key developments and emerging issues that have arisen during the period of reporting.

These reports are placed on public deposit and are available on the Council's website via the relevant Policy and Performance Board agenda packs. The reports identify what progress is being made throughout the year in relation to the delivery of predetermined actions and the progress of a range of measures including direction of travel and achievement of targets.

The reports provide financial statements identifying variation in planned spend during the quarter and providing an explanatory comment.

Policy and Performance Boards also receive a mid-year update concerning the implementation of mitigation measures for those risks contained within the Directorate Risk Registers which have been assessed as high.

This approach allows the opportunity for the effective scrutiny of the Council's performance during the course of the year in order that any underperformance can be addressed in a timely manner and/or resources can be realigned in response to prevailing conditions or pressures.

Listed below are a number of key performance indicators used in assessing the Council putting in place economy, efficiency and effectiveness in its use of resources:

- The average number of working days lost during the year due to sickness absence has decreased from 12.98 in 2022/23 to 11.46 in 2023/24.
- Council tax collection for the year to 31st March 2024 is 93.8%, down 0.11% on the same point last year. Cash collection for the year is £74.3m, this includes £2.2m collected in relation to previous-year debt.
- Business rates collection for the year to 31st March 2024 is 96.7%, down 0.94% on this point last year. The collection percentage has been impacted by a larger site coming on to the rating list during March 2024. The Council has billed the organisation in full for the rates due but this remains unpaid at financial year-end. Excluding this site, the collection rate would have been 97.7%, up by 0.08% on this point last year. Business rate cash collected for the year is £60.9m, this includes £1.1m collected in relation to previous year debt.

Financial Planning

The Medium-Term Financial Strategy (MTFS) is a major element of the Council's corporate planning process. It brings together resources and spending plans and identifies financial constraints over the medium-term. Its purpose is to ensure that resources are properly targeted towards Council priorities, to avoid excessive council tax rises, to deliver a balanced and sustainable budget, and to continue to identify efficiencies.

The public spending austerity programme has had, and will continue to have, a significant impact upon the Council's finances over the medium-term and this has been reflected in the MTFS.

Via the Transformation Programme the Council is continuing to review its services, changing the way in which services are delivered in order to realise efficiencies. In addition, the Council has continued to seek improved procurement, better utilisation of assets, changes to staff terms and conditions, collaborative working with other Councils and partner agencies, and increased income from external sources in order to manage costs within the funding constraints imposed by Government.

The most recent MTFS was reported to the Council's Executive Board in November 2023 and subsequently updated as part of the budget report in March 2024. The latest report identified potential shortfalls in funding for the Council over the following three years of approximately £3.3m (2025/26), £2.7m (2026/27) and £4.5m (2027/28). These figures assume transformation targets of £8m are achieved in both 2025/26 and 2026/27.

The 2024/25 net budget requirement of £149.5m was approved by Council on 6th March 2024. The budget will be funded from £64.0m of council tax (increase of 4.99% on the 2023/24 Band D level), business rates of £61.0m, top-up funding of £3.9m, share of the collection fund surplus of £2.7m and Government Grant to fund business rate reliefs of £17.9m.

Beyond 2024/25 there is great uncertainty regarding the funding of Local Government, due to the potential impact of a number of changes to the local government funding regime, General Election, lack of certainty of future funding settlements and deferrals of the Fair Funding Review, Business Rates Retention Review and Fair Cost of Care Programme. Alongside the funding issue, the high cost of inflation is placing further pressure on local government finances.

Conclusion

These continue to be difficult times for the Council from setting a balanced budget to ensuring spend is controlled as tightly possible, whilst at the same time, there is high demand and associated costs for services. The high cost base is particularly relevant within both adult and children's social care services where the funding provided by Government and through locally generated taxes is not keeping pace with the increase in need.

Forecasting early in the financial year identified the significant financial risk of net spend for the year being significantly in excess of the available budget. The hard work of members and officers helped to control and reduce the overspend position to £5.6m, which was considerably lower than the £7.1m forecast at the end of December 2023.

Despite the outturn overspend being lower than forecast, the Council is now in a position where in-year spend is consistently exceeding the available budget, which is a considerable concern, especially set against the backdrop of depleted reserves and ongoing service demand pressures. This makes expediting the work of the Transformation Programme vital, to bring forward fundamental changes in service delivery which will help to control and reduce future costs. Alongside additional Government funding, transformation is essential to provide the Council with a long-term, sustainable financial position.

In March 2024 the Council's External Auditor (Grant Thornton UK LLP) issued its Annual Report which highlighted the Council's financial sustainability as a significant weakness. The External Auditor provided the judgement "The Council's planned and unplanned use of reserves is not sustainable and is a significant weakness in the Council's arrangements. The lack of progress to achieve planned savings from the transformation programme and limited MTFS savings in 2022/23 and in 2023/24 are significant risks to the Council's financial sustainability".

Provision balances continue to be set at prudent levels, but the impact of utilising reserves to help provide a balanced budget position cannot be sustained. The Council will therefore look to replenish reserves over the medium-term.

Continued commitment to capital expenditure allows the borough to develop and grow. The collection fund function funds over 97% of the Council's net budget, supported by treasury management and the prompt collection of external charges allows the Council to be more self-sufficient through funding from local resources, albeit with an increased level of risk.

I would like to thank all Members and Officers that have assisted greatly over the past year, which has helped contribute to and shape this set of financial statements.

Ed Dawson

Director of Financial Services

Core Financial Statements

Comprehensive Income & Expenditure Statement as at 31st March 2024

Services	Note	Gross Expenditure 2023/24 £000	Gross Income 2023/24 £000	Net Expenditure 2023/24 £000
CONTINUING OPERATIONS				
Chief Executive's Directorate		49,402	(41,754)	7,648
Environment & Regeneration		68,584	(20,810)	47,774
Public Health		13,719	(12,161)	1,558
Adult Social Care		114,419	(53,087)	61,332
Children's Services		90,108	(40,077)	50,031
Schools		92,240	(86,229)	6,011
Corporate & Democracy		2,095	(951)	1,144
Mersey Gateway	**6**	48,261	(80,600)	(32,339)
Net Expenditure of Continuing Operations		**478,828**	**(335,669)**	**143,159**
Other Operating Expenditure	**3**			(2,406)
Financing and Investment Income & Expenditure	**4**			33,555
Taxation and Non-Specific Grant Income	**5**			(158,813)
(Surplus) or Deficit on the Provision of Services				**15,495**
(Surplus) or Deficit on revaluation of Non-Current Assets	**37**			(23,669)
(Surplus) or Deficit on revaluation of financial assets measured at fair value through other comprehensive income	**37**			(133)
Remeasurement of net defined benefit liability	**32**			97
Other Comprehensive Income & Expenditure				**(23,705)**
TOTAL COMPREHENSIVE INCOME & EXPENDITURE				**(8,210)**

Comprehensive Income & Expenditure Statement as at 31st March 2023

Services	Note	Gross Expenditure 2022/23 £000	Gross Income 2022/23 £000	Net Expenditure 2022/23 £000
CONTINUING OPERATIONS				
Chief Executive's Directorate		43,379	(39,719)	3,660
Environment & Regeneration		75,313	(21,622)	53,691
Public Health		13,156	(12,200)	956
Adult Social Care		106,379	(44,295)	62,084
Children's Services		84,208	(34,327)	49,881
Schools		87,008	(79,539)	7,469
Corporate & Democracy		3,472	(1,004)	2,468
Mersey Gateway		39,324	(69,386)	(30,062)
Net Expenditure of Continuing Operations		**452,239**	**(302,092)**	**150,147**
Other Operating Expenditure	**3**			1,289
Financing and Investment Income & Expenditure	**4**			35,694
Taxation and Non-Specific Grant Income	**5**			(155,580)
(Surplus) or Deficit on the Provision of Services				**31,550**
(Surplus) or Deficit on revaluation of Non-Current Assets	**37**			(5,796)
(Surplus) or Deficit on revaluation of financial assets measured at fair value through other comprehensive income	**37**			233
Remeasurement of net defined benefit liability	**32**			(106,199)
Other Comprehensive Income & Expenditure				**(111,762)**
TOTAL COMPREHENSIVE INCOME & EXPENDITURE				**(80,212)**

Balance Sheet as at 31st March 2024

31/03/2022 £000 Restated	31/03/2023 £000 Restated		Note	31/03/2024 £000
845,010	842,660	Non-Current Assets – Property Plant & Equipment	17	874,379
1,410	1,425	Heritage Assets	18	1,425
1,344	1,344	Investment Properties	19	1,323
632	726	Intangible Assets	20	784
5,102	4,869	Investments in Associates and Joint Ventures	22	5,002
21,329	25,579	Long-Term Investments	22	23,533
13,550	13,012	Long-Term Debtors	23	13,113
888,377	**889,615**	**Total Long Term Assets**		**919,559**
		Current Assets		
396	407	Inventories		337
12,946	12,229	Assets Held for Sale < 12 months	21	987
33,198	45,501	Short-Term Debtors	23	52,848
100,121	65,845	Short-Term Investments	22	24,648
13,327	12,161	Cash and Cash Equivalents	24	57,372
159,988	**136,143**	**Total Current Assets**		**136,192**
		Current Liabilities		
(618)	(15,760)	Short-Term Borrowing	26	(38,150)
(71,905)	(61,002)	Short-Term Creditors	25	(114,073)
(9,400)	(15,617)	Short-Term Grants Receipts in Advance	7	(7,216)
(3,673)	(48,937)	Provisions < 1 year	27	(3,366)
(85,596)	**(141,316)**	**Total Current Liabilities**		**(162,805)**
74,392	**(5,173)**	**Net Current Assets/(Liabilities)**		**(26,613)**
962,769	**884,442**	**Total Net Assets**		**892,946**
		Long Term Liabilities		
(172,000)	(172,000)	Long-Term Borrowing	26	(172,000)
(67,270)	(17,140)	Provisions > 1 year	27	(23,426)
(14,004)	-	Long-Term Grants Receipts in Advance	7	(1,540)
(444,590)	(350,186)	Other Long-Term Liabilities	29	(342,654)
(697,864)	**(539,326)**	**Total Long Term Liabilities**		**(539,620)**
264,905	**345,116**	**Total Assets Less Liabilities**		**353,326**
(100,237)	(83,526)	Usable Reserves	35	(76,006)
(164,668)	(261,590)	Unusable Reserves	37	(277,320)
(264,905)	**(345,116)**	**Total Equity**		**(353,326)**

Signed by: P E Dawson

Ed Dawson – Director of Financial Services Date: 20th November 2024

Movement in Reserves Statement

	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	TOTAL USABLE RESERVES (Note 35)	TOTAL UNUSABLE RESERVES (Note 37)	TOTAL COUNCIL RESOURCES
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance as at 31st March 2022	**(74,616)**	**(1,061)**	**(24,560)**	**(100,237)**	**(164,668)**	**(264,905)**
Movement in Reserves during 2022/23						
Total Comprehensive Income and Expenditure	31,550	-	-	**31,550**	(111,762)	**(80,212)**
Adjustments between Accounting Basis and Funding Basis under Regulations (**note 34b**)	(8,733)	(1,729)	(4,377)	**(14,839)**	14,839	**-**
Other Adjustments	-	-	-	**-**	1	**1**
(Increase)/Decrease in the year	**22,817**	**(1,729)**	**(4,377)**	**16,711**	**(96,922)**	**(80,211)**
Balance at 31st March 2023 carried forward	**(51,799)**	**(2,790)**	**(28,937)**	**(83,526)**	**(261,590)**	**(345,116)**
Balance as at 31st March 2023	**(51,799)**	**(2,790)**	**(28,937)**	**(83,526)**	**(261,590)**	**(345,116)**
Movement in Reserves during 2023/24						
Total Comprehensive Income and Expenditure	15,495	-	-	**15,495**	(23,705)	**(8,210)**
Adjustments between Accounting Basis and Funding Basis under Regulations (**note 34a**)	(4,360)	(2,188)	(1,425)	**(7,973)**	7,973	**-**
Other Movements	(2)	-	-	**(2)**	2	**-**
(Increase)/Decrease in the year	**11,133**	**(2,188)**	**(1,425)**	**7,520**	**(15,730)**	**(8,210)**
Balance at 31st March 2024 carried forward	**(40,666)**	**(4,978)**	**(30,362)**	**(76,006)**	**(277,320)**	**(353,326)**

Please note that the General Fund Balance includes Earmarked Reserves and School Reserves. See Notes 1 and 36 for further details.

Cash Flow Statement

2022/23 £000		Note	2023/24 £000
31,550	**Net (surplus) or deficit on the provision of services**		**15,495**
(26,118)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	**38**	(42,413)
27,958	Adjust for items in the net (surplus) or deficit on the provision of services	**38**	28,182
33,390	**Net cash flows from Operating Activities**		**1,264**
(28,550)	Net cash flows from Investing Activities	**39**	(34,270)
(3,674)	Net cash flows from Financing Activities	**40**	(12,205)
1,166	**Net (increase)/decrease in Cash and Cash Equivalents**		**(45,211)**
(13,327)	Cash and Cash Equivalents at the beginning of the reporting period	**24**	(12,161)
(12,161)	**Cash and Cash Equivalents at the end of the reporting period**	**24**	**(57,372)**

Notes to the Core Financial Statements

Please note the Accounting Policies are shown on page 117.

1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how the funding available to the Council for the year (including government grants, council tax and business rates) has been used to provide services in comparison with those resources consumed or earned under generally accepted accounting practices. This also shows how this expenditure is allocated for decision making purposes between the Council's Directorates.

Expenditure and Funding Analysis 2023/24

	Outturn Reported to Management	Movement in Earmarked Reserves	Net Expenditure Chargeable to the General Fund Balances	Adjustments Between the Funding and Accounts Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	2023/24	**2023/24**	**2023/24**	**2023/24**	**2023/24**
	£000	**£000**	**£000**	**£000**	**£000**
Chief Executive's Directorate	6,845	910	7,755	(107)	7,648
Environment & Regeneration	48,102	(61)	48,041	(267)	47,774
Public Health	1,157	436	1,593	(35)	1,558
Adult Social Care	60,487	860	61,347	(15)	61,332
Children's Services	52,139	446	52,585	(2,554)	50,031
Schools	-	992	992	5,019	6,011
Corporate & Democracy	(21,325)	3,583	(17,742)	18,886	1,144
Mersey Gateway	-	(1,678)	(1,678)	(30,661)	(32,339)
Net Cost of Services	**147,405**	**5,488**	**152,893**	**(9,734)**	**143,159**
Other Income and Expenditure	(141,772)	14	(141,758)	14,094	(127,664)
(Surplus) or Deficit	**5,633**	**5,502**	**11,135**	**4,360**	**15,495**
Opening General Fund Balance	**(5,147)**	**(46,652)**	**(51,799)**		
Transfer to / from Earmarked Reserves to General Fund	(5,633)	5,633	-		
(Surplus) or Deficit in year	5,633	5,502	11,135		
Closing General Fund Balance at 31st March	**(5,147)**	**(35,517)**	**(40,664)**		

Note to Expenditure and Funding Analysis 2023/24

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Other Income and Expenditure £000	Adjustments for Capital Purposes £000	Net change for the Pension Adjustments £000	Other Adjustments £000	Total Adjustments £000
Chief Executive's Directorate	(2,241)	2,334	(18)	(182)	**(107)**
Environment & Regeneration	(993)	912	(21)	(165)	**(267)**
Public Health	(23)	-	(3)	(9)	**(35)**
Adult Social Care	-	-	(20)	5	**(15)**
Children's Services	(2,465)	(121)	(13)	45	**(2,554)**
Schools	2,465	190	(174)	2,538	**5,019**
Corporate & Democracy	2,710	22,470	(305)	(5,989)	**18,886**
Mersey Gateway	(31,214)	(7,476)	-	8,029	**(30,661)**
Net Cost of Services	**(31,761)**	**18,309**	**(554)**	**4,272**	**(9,734)**
Other Income and Expenditure from the Expenditure and Funding Analysis	31,761	(16,366)	217	(1,518)	**14,094**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**-**	**1,943**	**(337)**	**2,754**	**4,360**

Expenditure and Funding Analysis 2022/23

	Outturn Reported to Management	Movement in Earmarked Reserves	Net Expenditure Chargeable to the General Fund Balances	Adjustments between the Funding and Accounts Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	2022/23	2022/23	2022/23	2022/23	2022/23
	£000	£000	£000	£000	£000
Chief Executive's Directorate	1,930	1,310	3,240	420	3,660
Environment & Regeneration	47,823	1,186	49,009	4,682	53,691
Public Health	96	400	496	460	956
Adult Social Care	54,916	3,014	57,930	4,154	62,084
Children's Services	47,294	2,243	49,537	344	49,881
Schools	-	421	421	7,048	7,469
Corporate & Democracy	(43,208)	9,011	(34,197)	36,665	2,468
Mersey Gateway	8,028	(17)	8,011	(38,073)	(30,062)
Net Cost of Services	**116,879**	**17,568**	**134,447**	**15,700**	**150,147**
Other Income and Expenditure	(111,718)	87	(111,631)	(6,966)	(118,597)
(Surplus) or Deficit	**5,161**	**17,655**	**22,816**	**8,734**	**31,550**
Opening General Fund Balance	**(5,147)**	**(69,469)**	**(74,616)**		
Transfer to from Earmarked Reserves to General Fund	(5,161)	5,161	-		
(Surplus) or Deficit in year	5,161	17,656	22,817		
Closing General Fund Balance at 31st March	**(5,147)**	**(46,652)**	**(51,799)**		

Note to Expenditure and Funding Analysis 2022/23

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Other Income and Expenditure	Adjustments for Capital Purposes	Net change for the Pension Adjustments	Other Adjustments	Total Adjustments
	£000	£000	£000	£000	£000
Chief Executive's Directorate	(2,577)	(4)	3,119	(118)	**420**
Environment & Regeneration	(620)	1,333	4,007	(38)	**4,682**
Public Health	(21)	-	474	7	**460**
Adult Social Care	-	493	3,658	3	**4,154**
Children's Services	(2,321)	115	2,599	(49)	**344**
Schools	2,323	149	3,457	1,119	**7,048**
Corporate & Democracy	6,029	17,418	(268)	13,486	**36,665**
Mersey Gateway	(38,073)	-	-	-	**(38,073)**
Net Cost of Services	**(35,260)**	**19,504**	**17,046**	**14,410**	**15,700**
Other Income and Expenditure from the Expenditure and Funding Analysis	35,258	(26,577)	2,691	(18,338)	**(6,966)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(2)**	**(7,073)**	**19,737**	**(3,928)**	**8,734**

Other Income and Expenditure

This column moves all items that are shown within the directorate spend reported to management but are shown below the Net Cost of Services in the Comprehensive Income and Expenditure Statement. These include:

- Interest Payable and Receivable
- Levy Payments

Adjustments for Capital Purposes

This column adjusts for any capital transactions that are not included in the directorate spend reported to management but are shown in the Comprehensive Income and Expenditure Statement. These include:

- Capital funding
- Revaluation gains and losses
- Revenue Expenditure Funded by Capital Under Statute

This column also includes items that are included in the spend reported to management but are not shown in the Comprehensive Income and Expenditure Statement. This includes:

- Minimum Revenue Provision
- The reversal of depreciation transactions shown in Corporate and Democracy

Net Charge for Pension Adjustments

This column includes the net change for the removal of pension contributions and the addition of IAS 19 employee benefits pension related income and expenditure:

- For services, this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For financing and investment income and expenditure, the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Other adjustments

This column includes:

- The difference between what is chargeable under statutory regulations for council tax and non-domestic rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code.

This is a timing difference, as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

- Adjustments to show Schools income and expenditure separately on the Comprehensive Income and Expenditure Statement. This is reported under the Children's Services Directorate when reported to management.

Segmental Income and Expenditure

Income and expenditure received on a segmental basis is analysed below:

2023/24	Revenues from External Customers £000	Interest Revenue £000	Interest Expense £000	Depreciation and Amortisation £000
Chief Executive's	(1,995)	-	-	817
Environment & Regeneration	(14,772)	-	-	14,428
Public Health	(172)	-	-	-
Adult Social Care	(14,513)	-	-	583
Childrens Services	(375)	-	-	110
Schools	(210)	-	-	2,438
Corporate & Democracy	(196)	(5,862)	2,925	(26,405)
Mersey Gateway	(58,081)	-	31,214	8,029
Net Cost of Services	**(90,314)**	**(5,862)**	**34,139**	**-**

2022/23	Revenues from External Customers £000	Interest Revenue £000	Interest Expense £000	Depreciation and Amortisation £000
Chief Executive's	(1,998)	-	-	748
Environment & Regeneration	(13,668)	-	-	14,815
Public Health	(239)	-	-	-
Adult Social Care	(12,579)	-	-	512
Childrens Services	(580)	-	-	144
Schools	(198)	-	-	2,322
Corporate & Democracy	(238)	(2,590)	2,758	(26,569)
Mersey Gateway	(55,396)	-	31,307	8,028
Net Cost of Services	**(84,896)**	**(2,590)**	**34,065**	**-**

2. Expenditure and Income Analysed by Nature

2022/23 £000		2023/24 £000
	Expenditure	
171,768	Employee benefits	165,311
258,043	Other service expenses	292,535
27,514	Depreciation, amortisation and impairment	27,248
34,065	Interest payments	34,139
3,634	Precepts and levies	3,820
495,024	**Total Expenditure**	**523,053**
	Income	
(123,385)	Fees and charges and other service income	(134,449)
(2,345)	Gain on disposal of non-current assets	(6,226)
(111,819)	Income from Council Tax and Business Rates	(121,251)
(223,335)	Government grants income	(239,770)
(2,590)	Interest and investment income	(5,862)
(463,474)	**Total Income**	**(507,558)**
31,550	**(Surplus) or Deficit on the Provision of Services**	**15,495**

3. Other Operating Expenditure

2022/23 £000		2023/24 £000
161	Parish Council Precepts	166
3,473	Levies	3,654
-	Movement in value of Assets Held for Sale	-
(2,345)	(Gains)/Losses on the Disposal of Non-Current Assets	(6,226)
1,289	**Total**	**(2,406)**

4. Financing and Investment Income and Expenditure

2022/23 £000		2023/24 £000
34,065	Interest payable and similar charges	34,139
2,690	Net interest on the net defined benefit liability	216
(2,590)	Interest receivable and similar charges	(5,862)
(23)	Income and expenditure in relation to investment properties and changes in their fair value	(76)
1,751	Movement in fair value of financial instruments	346
-	Loss on transfer of academies	4,960
(199)	Other investment income and expenditure	(168)
35,694	**Total**	**33,555**

5. Taxation and Non-Specific Grant Income

2022/23 £000		2023/24 £000
(57,581)	Council Tax income	(60,892)
(54,238)	Non-domestic rates	(60,359)
(13,461)	Non-ringfenced government grants	(18,632)
(6,067)	NNDR Top Up Grant	(3,918)
(24,233)	Capital grants and contributions	(15,012)
(155,580)	**Total**	**(158,813)**

6. Material Items of Income and Expenditure

The Mersey Gateway line in the Comprehensive Income and Expenditure statement includes expenditure of £67.176m relating to the 85% share of the excess revenue from the Mersey Gateway bridge payable to Department for Transport (DfT). This figure has two elements, £44.750m agreed to be paid back to DfT on 1st August 2024 following the five-year review during 2023/24, and £23.426m provision for payment, an element of which will be due following the next three-year review in 2026/27. For further breakdown of income and expenditure relating to the Mersey Gateway, please see Note 42.

7. Grant Income

The Council has received a number of grants and contributions that have yet to be recognised as income. At the balance sheet date, conditions existed which remain to be satisfied. The balances at year-end are as follows:

	31/03/2023 £000	31/03/2024 £000
Long Term Receipts in Advance		
Capital		
Department for Levelling Up, Housing and Communities	-	(1,540)
Other Grants	-	-
Total	**-**	**(1,540)**

	31/03/2023			31/03/2024		
	Revenue £000	**Capital £000**	**Total £000**	**Revenue £000**	**Capital £000**	**Total £000**
Short Term Receipts in Advance						
Department for Levelling Up, Housing and Communities	(905)	(7,406)	**(8,311)**	(521)	(2,000)	**(2,521)**
Department for Education	(546)	(657)	**(1,203)**	(597)	(395)	**(992)**
Department of Health & Social Care	(3,606)	-	**(3,606)**	-	-	**-**
Other Grants	(1,523)	(13)	**(1,536)**	(2,846)	(13)	**(2,859)**
Contributions	(961)	-	**(961)**	(844)	-	**(844)**
	(7,541)	**(8,076)**	**(15,617)**	**(4,808)**	**(2,408)**	**(7,216)**

The Council credited the following grants to the Comprehensive Income and Expenditure Statement in 2023/24

	2022/23 £000	2023/24 £000
Revenue Grants Credited to Services		
Department for Levelling Up, Housing and Communities	(11,555)	(17,038)
Dedicated Schools Grant	(82,656)	(86,564)
Department for Education	(17,148)	(21,634)
Department for Environment, Food & Rural Affairs	(80)	(120)
Department for Transport	(14,003)	(22,566)
Department for Works & Pensions	(3,482)	(3,497)
Department of Health & Social Care	(13,031)	(15,439)
Home Office	(2,932)	(2,289)
Rent Allowance Subsidy	(30,355)	(30,035)
Other Grants	(4,332)	(3,026)
Total	**(179,574)**	**(202,208)**

8. Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2019. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2023/24 are shown below:

Total 2022/23 £000		Central Expenditure 2023/24 £000	Individual Schools Budget 2023/24 £000	Total 2023/24 £000
(135,993)	Final DSG before academy recoupment			(143,178)
53,316	Academy figure recouped in year			56,564
(82,677)	**Total DSG after academy recoupment**			**(86,614)**
-	Plus brought forward			-
-	Less carry forward agreed in advance			-
(82,677)	**Agreed budget distribution**	**(20,294)**	**(66,320)**	**(86,614)**
(146)	In-year adjustments	50	-	50
(82,823)	**Final budget distribution**	**(20,244)**	**(66,320)**	**(86,564)**
16,603	Less actual central expenditure	22,701		22,701
67,256	Less actual ISB deployed to schools		66,320	66,320
-	Plus Council contribution			-
1,036	**Carry forward**	**2,457**	**-**	**2,457**
-	Plus carry forward agreed in advance			
1,036	**Carry forward to following year**			**2,457**
1,856	DSG Unusable Reserve brought forward			2,892
1,036	Addition to DSG Unusable Reserve in year			2,457
2,892	**Total DSG Unusable Reserve at end of year**			**5,349**
2,892	**Net DSG position at end of year**			**5,349**

9. Pooled Budgets

Better Care Fund

In 2015 the Government introduced a £3.8 billion Better Care Fund, a pooled budget for health and social care services, shared between the NHS and local authorities, to deliver better outcomes and greater efficiencies through more integrated services for older and disabled people. The pooled budget, hosted by the council, continues to provide an integrated system enabling resources to be used efficiently and effectively in the delivery of personalised, responsive and holistic care to those who are most in need within the community. This results in the alignment of systems, improved pathways, speeding up the discharge processes, transforming patient/care satisfaction and ensuring the future sustainability of meeting the needs of people with complex needs.

The Additional Better Care Fund (ABCF) was announced in the 2017 Spring Budget, with a condition that it is pooled into the local BCF plan. The grant determination enables the funding to be spent on three purposes:

- Meeting adult social care needs.
- Reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready.
- Ensuring that the local social care provider market is supported.

In addition to BCF and ABCF allocations, the Council and Health each contributed additional funds equal to 54% and 46% respectively (excluding the BCF allocation) for 2023/24.

It should be noted that Clinical commissioning groups (CCGs) were established as part of the Health and Social Care Act in 2012, and replaced primary care trusts on 1 April 2013. On 1 July 2022, integrated care systems (ICSs) became legally established through the Health and Care Act 2022, and CCGs were closed down. ICSs are partnerships of organisations that come together to plan and pay for health and care services to improve the lives of people who live and work in their area.

Each integrated care system has two statutory elements, an integrated care partnership (ICP) and integrated care board (ICB). Across England, local partnerships made up of all the public services that provide health and care (NHS, GPs, local councils and the community and voluntary sector) plan how best to deliver high quality, affordable services that meet the needs of local people. Although partnership working has taken place nationally for some years, these changes make it easier for people to get access to better, more efficient and joined-up care, and to enjoy better health.

This is joint arrangement between Halton Borough Council and the Cheshire and Merseyside Integrated Care Board, and all the relevant activities of the arrangement require unanimous consent of all parties.

		2022/23 £000		2023/24 £000
Balance Brought Forward		**(205)**		**(148)**
Funding provided to the pooled budget:				
- Halton Borough Council		(3,696)		(3,144)
- Halton Place		(2,831)		(2,865)
- Better Care Fund		(12,078)		(12,762)
- Additional Better Care Fund		-		(6,982)
- Adult Social Care Discharge Grant		(1,628)		(979)
- Integrated Care Board Discharge Grant		-		(942)
- Other Grants		(962)		(144)
- Reserves		(700)		(193)
		(21,895)		**(28,011)**
Income raised through the pooled budget:				
- Halton Borough Council		(609)		-
		(609)		**-**
Expenditure met from the pooled budget:				
- Halton Borough Council		5,568		4,540
- Halton Place		4,915		3,875
- Better Care Fund		12,078		19,744
- Winter Pressures		-		-
		22,561		**28,159**
Net (surplus)/deficit arising on the pooled budget during the year		**57**		**148**
Share of the (surplus)/deficit for the year:				
- Halton Borough Council	53%	30	54%	80
- Halton Place	47%	27	46%	68
		57		**148**
Balance Carried Forward		**(148)**		**-**

10. Officers Remuneration

The number of employees whose remuneration, inclusive of redundancy payments and car benefit but excluding pension contributions, was £50,000 or more, grouped in rising bands of £5,000 is shown below. This list is inclusive of officers reported in the senior officers disclosure note.

Remuneration Band		2022/23 Number of Employees Teaching	2022/23 Number of Employees Non-Teaching	2023/24 Number of Employees Teaching	2023/24 Number of Employees Non - Teaching
£50,000	£54,999	16	51	29	75
£55,000	£59,999	13	9	13	20
£60,000	£64,999	8	9	17	7
£65,000	£69,999	9	5	7	12
£70,000	£74,999	6	9	7	10
£75,000	£79,999	4	5	8	4
£80,000	£84,999	1	5	4	7
£85,000	£89,999	-	2	1	2
£90,000	£94,999	-	4	-	2
£95,000	£99,999	-	5	-	3
£100,000	£104,999	-	1	-	3
£105,000	£109,999	-	-	-	1
£110,000	£114,999	-	1	-	-
£115,000	£119,999	-	-	-	1
£120,000	£124,999	-	-	-	1
£125,000	£129,999	-	-	-	-
£130,000	£134,999	-	-	-	-
£135,000	£139,999	-	1	-	-
£140,000	£144,999	-	-	-	-
£145,000	£149,999	-	-	-	1
£150,000	£154,999	-	-	-	-
£155,000	£159,999	-	1	-	-
£160,000	£164,999	-	-	-	-
£165,000	£169,999	-	-	-	1
£170,000	£174,999	-	-	-	-
£175,000	£179,999	-	-	-	-
£180,000	£184,999	-	-	-	-
£185,000	£189,999	-	-	-	-
£190,000	£194,999	-	-	-	-
£195,000	£199,999	-	-	-	-
£200,000	£204,999	-	-	-	-
£205,000	£209,999	-	-	-	-
£210,000	£214,999	-	-	-	-
£215,000	£219,999	-	-	-	-
£220,000	£224,999	-	-	-	-
£225,000	£229,999	-	-	-	-
£230,000	£234,999	-	-	-	-
£240,000	£244,999	-	-	-	-
£245,000	£249,999	-	-	-	-
£250,000	£254,999	-	-	-	-
£255,000	£259,999	-	1	-	-
		57	**109**	**86**	**150**

The note excludes salaries for staff at Voluntary Aided Schools who are employed directly by the school's governing body. 58 staff with a total salary value of £3,479,665 have been excluded from the 2022/23 figures. In 2023/24, 72 staff members of Voluntary Aided Schools with a total salary value of £4,356,504.73 were excluded from Note 10.

The number of Council employees disclosed in the £50,000 - £54,999 band has increased significantly from 2022/23 due to the inflationary impact of the 2023/24 local government pay award.

Halton Borough Council is required to disclose to local taxpayers the total remuneration package for the senior officers charged with the stewardship of the organisation.

A senior employee has a significant level of responsibility for contributing to the strategic decision making of the Council. Senior officers will include those that have a statutory duty under legislation.

Senior employees whose salary is between £50,000 and £150,000 are disclosed by job title. Senior employees whose salary is more than £150,000 are disclosed by job title and name.

These notes refer to the detailed table below:

Note 1: The Executive Director - Children's Services joined the authority on 23rd October 2023. Prior to this, the role was carried out on an interim basis by agency members of staff who were not employees of the Council.

Note 2: The Director of Public Health received an additional £10,414 for work done on behalf of NIHR Clinical Research Network, and an additional £2,236 from the Clinical Excellence Awards. These amounts are included in the above table, but have been fully reimbursed to the Council.

Note 3: The new post of Executive Director - Environment and Regeneration was created on 1st June 2023. The existing Operational Director - Economy, Enterprise, and Property moved into the newly created role on this date.

Note 4: The existing Interim Operational Director - Adult Social Care moved into the newly created Operational Director - Commissioning and Provision post on 17th April 2023.

Note 5: The existing Interim Operational Director - Adult Social Care moved into the newly created Operational Director - Care Management, Safeguarding, and Quality post on 17th April 2023.

Note 6: The Operational Director - Children's Social Care left the authority on 14th July 2023. The role was subsequently carried out by an agency member of staff who was not an employee of the Council until a new, permanent appointment was made on 25th December 2023. At this date, the post was renamed to Operational Director - Children's Social Care and Early Help.

Note 7: The Operational Director - Economy, Enterprise, and Property joined the authority on 20th November 2023.

Post Title		Salary (including fees & allowances)		Compensation for loss of employment		Benefits in kind		Total remuneration excluding pension contributions		Employers pension contributions		Total remuneration including pension contributions	
		2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
		£	£	£	£	£	£	£	£	£	£	£	£
Chief Executive – Stephen Young		158,925	167,557	-	-	-	-	158,925	167,557	32,533	34,144	191,458	201,701
Statutory Executive Director - Adult's Services		39,857	124,548	-	-	-	-	39,857	124,548	8,142	25,327	47,999	149,875
Statutory Executive Director - Children's Services	1	-	53,565	-	-	-	-	-	53,565	-	10,890	-	64,455
Director of Public Health	2	117,519	145,602	-	-	-	-	117,519	145,602	16,055	20,872	133,574	166,474
Executive Director - Environment and Regeneration	3	-	101,250	-	-	-	-	-	101,250	-	20,585	-	121,835
Director of Chief Executive's Delivery Unit		8,250	103,940	-	-	-	-	8,250	103,940	1,682	21,103	9,932	125,042
Interim Operational Director - Adult Social Care	4	27,776	3,472	-	-	-	-	27,776	3,472	5,653	703	33,429	4,175
Operational Director - Commissioning and Provision	4	-	82,716	-	-	-	-	-	82,716	-	16,760	-	99,476
Interim Operational Director - Adult Social Care	5	27,776	3,472	-	-	-	-	27,776	3,472	5,653	703	33,429	4,175
Operational Director - Care Management, Safeguarding, and Quality	5	-	82,716	-	-	-	-	-	82,716	-	16,760	-	99,476
Care	6	21,768	46,631	-	-	-	-	21,768	46,631	4,437	5,753	26,205	52,384
Operational Director - Children's Social Care and Early Help	6	-	23,174	-	-	-	-	-	23,174	-	4,696	-	27,870
Statutory Operational Director - Education, Inclusion & Provision		32,878	98,566	-	-	-	-	32,878	98,566	6,695	20,001	39,573	118,567
Operational Director - Community & Greenspace		85,713	91,154	-	-	-	-	85,713	91,154	17,662	18,482	103,375	109,635
Operational Director - Economy, Enterprise & Property	3	95,267	16,428	-	-	-	-	95,267	16,428	19,673	3,334	114,940	19,761
Operational Director - Economy, Enterprise & Property	7	-	35,867	-	-	-	-	-	35,867	-	7,278	-	43,145
Operational Director - Policy, Planning & Transportation		92,876	100,233	-	-	-	-	92,876	100,233	19,123	20,343	111,999	120,575
Operational Director - Finance		95,267	98,566	-	-	-	-	95,267	98,566	19,419	20,001	114,686	118,567
Operational Director - ICT & Support Services		102,767	106,066	-	-	-	-	102,767	106,066	20,964	21,539	123,731	127,605
Operational Director - Legal & Democratic Services		95,267	98,566	-	-	-	-	95,267	98,566	19,419	20,001	114,686	118,567
		1,001,905	**1,584,089**	**-**	**-**	**-**	**-**	**1,001,905**	**1,584,089**	**197,110**	**309,275**	**1,199,015**	**1,893,364**

11. Exit Packages and Termination Benefits

The number of exit packages with total cost per band and total cost of compulsory and voluntary redundancies and early retirements are set out in the table below:

Exit package cost band	Number of compulsory redundancies		Number of voluntary redundancies		Number of early retirements		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23 £000	2023/24 £000
£0 - £20,000	3	3	11	24	-	-	14	27	77	229
£20,001 - £40,000	-	-	5	13	-	-	5	13	147	395
£40,001 - £60,000	-	1	-	2	-	-	-	3	-	131
£60,001 - £80,000	-	-	1	1	-	-	1	1	65	70
£80,001 - £100,000	-	-	1	-	-	-	1	-	100	-
£100,001 - £150,000	-	-	-	-	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	-	-	-	-	-	-
£250,001 - £300,000	-	-	-	-	-	-	-	-	-	-
Total	**3**	**4**	**18**	**40**	**-**	**-**	**21**	**44**	**389**	**825**

The total cost of exit packages in 2023/24 is £0.825m (2022/23 - £0.389m) charged to the authority's Comprehensive Income and Expenditure Statement (CIES). Costs associated with redundancies include officers aged 55 or over being able to access their pensions immediately, the costs of which amounted to £0.319m in 2023/24. There were no early retirements taken in 2023/24 (2022/23 - £0.000m).

Termination Benefits

The Council incurred no liabilities relating to past early retirements charged to the Comprehensive Income and Expenditure Statement.

12. Members Allowances

During the year £893,428.26 (2022/23 - £842,015.70) was paid to Members, including Mayoral and Deputy Mayoral allowances.

13. Related Party Transactions

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Council.

Once these relationships are brought to the attention of users, transactions are disclosed so that readers can assess for themselves whether these relationships might have had an effect or could have an effect in the future.

Materiality

Materiality has been assessed with regards to the Council and the related party.

Central Government

UK Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides significant funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

Grants received from government departments are set out in Note 7.

Members and Officers

Members of the Council have direct control over the Council's financial and operating policies. The Council operates a system of self-regulation which requires each Executive Director and Member to complete a declaration highlighting whether they or any members of their family have been involved in any material financial transactions between the Council and any external bodies they are affiliated to during the financial year.

The total of members allowances paid in 2023/24 is shown in Note 12. The total of senior officers' remuneration paid in 2023/24 is shown in Note 10.

In 2023/24, 3 Members had interests in various organisations and voluntary sector bodies involving payments worth £1.945m and receipts worth £0.048m for various works and services.

In 2023/24, no senior officers had interests in organisations which were party to transactions with the Council.

Payments/receipts from organisations where Members or their spouse hold an interest	2023/24 Expenditure £000	2023/24 Income £000	31/03/2024 Creditor £000	31/03/2024 Debtor £000
Creative Health Initiatives CIC	38	(8)	-	-
Mersey Gateway Crossings Board	1,907	(40)	99	(1)
Total	**1,945**	**(48)**	**99**	**(1)**

Other Public Bodies

The Council is a member of Liverpool City Region Combined Authority, from which it received £7.311m of income in 2023/24, plus outstanding debtors of £5.025m. This related to highways grant funding of £9.902m from Merseytravel, funding for regeneration projects of £0.66m, funding for skills and apprenticeship programmes of £1.417m, £0.126m for IT hosting services, £0.093m for accommodation projects, and £0.138m for other services. £0.089m of expenditure was incurred in 2023/24.

The Council had one pooled budget arrangement with NHS Cheshire and Merseyside ICB Integrated Care Board during 2023/24 under s75 of the Health Act 2006. Transactions and balances are highlighted in Note 9. In addition to the pooled budget arrangement there were further payments of £0.031m relating to other services. There was additional income received of £13.878m for contributions to care packages, a £0.220m contribution towards the Positive Behaviour Support Service, a £0.182m contribution towards the Transforming Care Project, a £0.023m contribution towards the Direct Payments Service, £0.164m for rent at Council buildings, and £0.239m for other services. There were debtors outstanding at year end of £0.168m for joint funded care packages and a £0.085m contribution towards the benefits advice scheme.

£1.450m of expenditure was paid to Warrington and Halton Hospitals NHS Trust from the pooled budget, comprising £0.771m for reablement services, £0.132m for the Halton Community Team Project, £0.132m for supported hospital discharge, and £0.420m for other services. There were £0.180m of creditors outstanding at 31st March 2024. Outside of the pooled budget, £0.005m was paid to the Trust for Public Health Services. One member of the Council is a Governor of the Trust.

The Council incurred £2.385m of expenditure with Bridgewater Community Healthcare NHS Trust in 2023/24 from the pooled budget, the majority of which (£1.541m) related to the Intermediate Care and Frailty Service. £0.829m of expenditure was incurred on the Integrated Community Equipment Service, and £0.015m related to other services. Outside of the pooled budget, the Council incurred £3.270m of expenditure for the 0-19 public health service, £0.092m for children's therapy equipment, £0.073m for infection control services, £0.022m for mental health services, and £0.043m for vision and deafness support services. There were £0.323m of creditors outstanding at the end of the 2023/24 financial year.

£0.178m of expenditure to Cheshire Police was incurred in 2023/24, including £0.102m for staffing costs, and £0.076m of project contributions. £0.381m of income was received, including £0.154m for the Domestic Abuse Prevention Service, £0.078m for community support services, £0.053m for the Safer Halton CCTV Project, £0.044m for substance misuse programmes, £0.042m for traffic equipment, and £0.010m for other services.

The Council has contracted with Merseyside Recycling and Waste Authority (MRWA) to manage the disposable of household waste, the processing of recyclables, and to run the Household Waste and Recycling Centres within Halton. Expenditure of £6.040m was incurred during 2023/24, with additional creditors of £1.104m outstanding at 31st March 2024. £1.016m of debtors were outstanding at the end of the financial year. One member of the Council represents Halton as a member of MRWA.

Three members of the Council sit on the Committee of Cheshire Fire and Rescue Service. There were no significant financial transactions between Halton Borough Council and Cheshire Fire and Rescue Service during the 2023/24 financial year.

Full details of the Council's pension fund transactions can be found in Note 32, Pension Schemes.

Entities Controlled or Significantly Influenced by the Council

Halton Borough Council are joint venture partners in Daresbury SIC (Pub Sec) LLP, which has significant influence over Daresbury SIC LLP. Total payments of £0.431m were received in 2023/24, including interest income of £0.162m. The total debtor outstanding is £5.872m and further details of the lease are provided in Note 30, Finance Leases – Authority as a Lessor. The Council also received £0.414m (including interest income of £0.124m) from the Enterprise Zone Rates in relation to the repayment of a contribution towards the construction of Project Violet.

Details of the Council's interests in companies are disclosed in Note 41, Interest in Companies and Other Entities.

14. External Audit Fees

The Council paid the following amounts to Grant Thornton in 2023/24 for fees relating to external audit, inspection and additional services.

	2022/23	2023/24
	£000	**£000**
Fees payable for:		
- Audit	145	324
- Grants and returns	38	30
Total	**183**	**354**

15. Events after the Balance Sheet Date

These accounts have been authorised for issue by the Operational Director Finance, on the 28th June 2024 and reflect all known events for the financial year. Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31st March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

16. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2022/23 £000 Restated	2023/24 £000
Opening Capital Financing Requirement	**614,327**	**604,079**
Capital Investment:		
Property, Plant & Equipment	19,325	34,123
Investment Properties	-	-
Intangible Assets	288	296
Revenue Expenditure Funded from Capital under Statute	7,936	9,783
Source of Finance:		
Capital Receipts	(1,470)	(3,238)
Capital Receipts to Reduce MRP Liability	(526)	(7,744)
Government Grants & Other Contributions	(25,752)	(19,656)
Direct Revenue Contributions	(145)	(294)
Minimum Revenue Provision	(9,904)	(11,409)
Closing Capital Financing Requirement	**604,079**	**605,940**
Explanation of movement in year:		
Increase in underlying need to borrow	182	21,014
Minimum Revenue Provision statutory set aside	(9,904)	(11,409)
Use of Capital Reserves to reduce MRP liability	(526)	(7,744)
Increase/(Decrease) in Capital Financing Requirement	**(10,248)**	**1,861**

The table above shows the Council spent £44.2m on capital during 2023/24.

Please note the 2022/23 capital receipts figures above have been restated to reflect the treatment of the use of capital receipts in the 2023/24 accounts.

Disposal of Assets/Capital Receipts

Land/Dwellings/Recovered Advances – the Council received £12.532m from the sale of land, vehicles and various properties.

Under residual arrangements, the Council received £0.290m (£0.323m in 2022/23) from Halton Housing Trust for the sale of homes during the year, and a further £0.080m (£0.002m in 2022/23) under VAT Shelter arrangements.

17. Non-Current Assets, Property, Plant and Equipment

Movements during 2023/24

	Land and Buildings £000	Community Assets £000	Vehicles, Plant and Equipment £000	Surplus Assets £000	Under Construction / Development £000	Total 2023/24 £000
Cost or Valuation						
As at 1st April 2023	**209,919**	**5,586**	**15,153**	**6,839**	**6,313**	**243,810**
Additions and Enhancements	17	383	1,653	87	18,907	**21,047**
Revaluations Recognised in the Revaluations Reserve	10,001		-	324	-	**10,325**
Revaluations Recognised in the Provision of Services	49	-	-	-	-	**49**
Derecognition – Disposals	(5,506)	-	-	-	-	**(5,506)**
Derecognition – Others	-	-	-	-	-	**-**
Assets Reclassified (to)/from Held for Sale	-	-	-	5,242	-	**5,242**
Other Movements	(208)	-	-	208	-	**-**
As at 31st March 2024	**214,272**	**5,969**	**16,806**	**12,700**	**25,220**	**274,967**
Depreciation						
As at 1st April 2023	**(8,575)**	**(2,739)**	**(9,841)**	**(88)**	**-**	**(21,243)**
Depreciation for the Year	(6,372)	(223)	(1,334)	(144)	-	**(8,073)**
Depreciation written out to Revaluation Reserve	13,346	-	-	-	-	**13,346**
Depreciation written out to Surplus/Deficit on the Provision of Services	207	-	-	-	-	**207**
Derecognition – Disposals	250	-	-	-	-	**250**
Derecognition – Other	-	-	-	-	-	**-**
Other Movements in Depreciation	-	-	-	-	-	**-**
As at 31st March 2024	**(1,144)**	**(2,962)**	**(11,175)**	**(232)**	**-**	**(15,513)**
Balance Sheet Amount as at 31st March 24	**213,128**	**3,007**	**5,631**	**12,468**	**25,220**	**259,454**
Balance Sheet Amount as at 1st April 23	**201,344**	**2,847**	**5,312**	**6,751**	**6,313**	**222,567**

Movements during 2022/23

	Land and Buildings £000	Community Assets £000	Vehicles, Plant and Equipment £000	Surplus Assets £000	Under Construction / Development £000	Total 2022/23 £000
Cost or Valuation						
As at 1st April 2022	**207,388**	**5,109**	**26,762**	**6,741**	**2,049**	**248,049**
Additions and Enhancements	542	477	1,396	861	4,264	**7,540**
Revaluations Recognised in the Revaluations Reserve	2,345	-	-	(24)	-	**2,321**
Revaluations Recognised in the Provision of Services	(191)	-	-	(701)	-	**(892)**
Derecognition – Disposals	(375)	-	(13,005)	(38)	-	**(13,418)**
Derecognition – Others	-	-	-	-	-	**-**
Assets Reclassified (to)/from Held for Aale	208	-	-	-	-	**208**
Other Movements	2	-	-	-	-	**2**
As at 31st March 2023	**209,919**	**5,586**	**15,153**	**6,839**	**6,313**	**243,810**
Depreciation						
As at 1st April 2022	**(5,378)**	**(2,548)**	**(21,360)**	**(113)**	**-**	**(29,399)**
Depreciation for the Year	(6,698)	(191)	(1,479)	(109)	-	**(8,477)**
Depreciation written out to Revaluation Reserve	3,343	-	-	132	-	**3,475**
Depreciation written out to Surplus/Deficit on the Provision of Services	83	-	-	2	-	**85**
Derecognition – Disposals	75	-	12,998	-	-	**13,073**
Derecognition – Other	-	-	-	-	-	**-**
Other Movements in Depreciation	-	-	-	-	-	**-**
As at 31st March 2023	**(8,575)**	**(2,739)**	**(9,841)**	**(88)**	**-**	**(21,243)**
Balance Sheet Amount as at 31st March 23	**201,344**	**2,847**	**5,312**	**6,751**	**6,313**	**222,567**
Balance Sheet Amount as at 1st April 22	**202,010**	**2,561**	**5,402**	**6,628**	**2,049**	**218,650**

Highways Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2022/23	2023/24
	£000	£000
Infrastructure Assets		
Net book value (modified historical cost)		
At 1st April	**626,360**	**620,093**
Additions	11,769	13,075
Derecognition	-	-
Depreciation	(18,036)	(18,243)
Impairment	-	-
Other movements in cost	-	-
At 31st March	**620,093**	**614,925**
Service Concession Assets		
(included in Infrastructure Assets)		
Net book value		
At 1st April	**439,243**	**431,946**
Additions	-	-
Derecognition	-	-
Depreciation	(7,297)	(7,297)
Impairment	-	-
Other movements in cost	-	-
At 31st March	**431,946**	**424,649**

	2022/23	2023/24
	£000	£000
Infrastructure Assets	620,093	614,925
Other PPE Assets	222,567	259,454
Total PPE Assets	**842,660**	**874,379**

The authority has determined in accordance with Regulation 30M England of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Depreciation

Depreciation is calculated on a straight-line basis and the following useful lives and depreciation rates have been used:

Buildings and Other Operational Properties	10-60 years
Community Assets	15 years
Infrastructure Assets	15-120 years
Vehicles, Plant and Equipment	3-10 years
Intangible Assets	5 years

Capital Commitments

At 31st March 2024, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment.

The major commitments are:

Halton Leisure Centre	£9.874m
Runcorn Busway	£0.323m
Fleet Vehicles	£2.473m
East Runcorn Connectivity Pre-Development	£0.274m
Green Cycle / Walk Corridors	£0.275m
Open Spaces Schemes	£0.336m
Town Centre Development	£0.529m
Telehealthcare Upgrade	£0.149m

At 31st March 2024 the capital commitments totalled £14.233m (£34.97m at 31st March 2023).

Revaluations

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued every 3 years. A mixture of revaluations from each of the below categories are valued each year. Valuations were carried out by Sanderson Weatherall LLP and by the Council's in-house valuer Louise Risk MRICS. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

- Corporate Properties
- Children's centres, Children's homes and miscellaneous properties, land and open spaces
- Day care centres, homes, leisure centres, sports fields and changing rooms, allotments, community centres, libraries and cemeteries
- Nursery, infant, junior, primary, secondary, special and PRU schools.

All assets are subject to an annual review to ensure valuations have not materially changed in the years they are not valued and that the carrying value is not significantly different to their fair value.

Assets which were subject to a revaluation in 2023/24 are dated the 31st March 2024. The valuation report which is used in the preparation of the Council's Statement of Accounts takes account of all known events throughout 2023/24 which could subsequently affect the asset's value and is therefore dated the 31st March 2024.

The assets shown by year of valuation are shown in the table below:

	Other Land & Buildings	Community Assets	Infrastructure Assets	Vehicles, Plant & Equipment	Surplus	Under Construction / Development	Total
	£000	£000	£000	£000	£000	£000	£000
Valued at current value as at:							
31st March 2024	178,663				405		**179,068**
31st March 2023	13,654				579		**14,233**
31st March 2022	20,188				10,583		**30,771**
31st March 2021	65				491		**556**
31st March 2020	558				410		**968**
Valued at Historic Cost		3,007	614,925	5,631		25,220	**648,783**
Total	**213,128**	**3,007**	**614,925**	**5,631**	**12,468**	**25,220**	**874,379**

Land & Buildings

Non-specialised property is valued at Fair Value – Existing Use Value. Specialised Property is valued on the basis of Depreciated Replacement Costs.

Community Assets

This group includes parks, cemetery land and other identifiable assets held in perpetuity, usually at Depreciated Historical Cost.

Infrastructure

These are included on the balance sheet at Depreciated Historical Cost in accordance with the guidelines contained in the RICS Appraisal and Valuation Standards.

Vehicles, Plant and Equipment

The majority of the Council's plant and equipment is included in the valuation of the buildings. The vehicles and other equipment are valued at Depreciated Historical Cost.

Intangible Assets

This group consists mainly of software licences for computer systems held at Depreciated Historical Cost.

Surplus Assets

Assets held for sale have strict criteria to be met before any assets can be included under this heading. Where assets are not in use but do not meet the criteria, they are accommodated within surplus assets. They are held at highest and best use value.

Assets under Construction/Development

These schemes are held temporarily on the balance sheet at Historic Cost until the asset is completed, when it is replaced with a formal valuation.

Fair Value Hierarchy for Investment Properties, Surplus Assets and Assets Held for Sale

Investment Properties, Surplus Assets and Assets Held for Sale have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Statement of Accounting Policies 9 – Fair Value).

Valuation Techniques Used to Determine Level 2 Fair Values

The fair value of Investment Properties, Surplus Assets and Assets Held for Sale have been measured using a market approach, which takes into account quoted prices for the existing or similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Asset portfolio. This information is contained within the Valuation Assumptions and Evidence note agreed between the authority's Asset Manager and professional staff. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as Level 2 on the fair value hierarchy.

There has been no change in the valuation techniques used during the year for Investment Properties, Surplus Assets or Assets Held for Sale.

Highest and Best Use

In estimating the fair value of the Council's Investment Properties, the highest and best use is their current use, though Assets Held for Sale have been valued taking their development potential into account.

De-minimis Assets

At 31st March 2024, the Council had 65 assets with a total value of £0.618m that were not recorded on the Balance Sheet as they fell below its de-minimis level of £35,000.

18. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Council:

	2022/23			2023/24		
	Civic Regalia £000	Outdoor Sculpture £000	Total £000	Civic Regalia £000	Outdoor Sculpture £000	Total £000
Cost or Valuation						
1st April	**858**	**552**	**1,410**	**858**	**567**	**1,425**
Additions		15	**15**		-	-
Disposals	-	-	-	-		
Revaluations	-	-	-	-		
Impairment Losses/(Reversals) Recognised in the Revaluation Reserve	-	-	-	-		
Impairment Losses/(Reversals) Recognised in the Surplus or Deficit on the Provision of Services	-	-	-	-		
31st March	**858**	**567**	**1,425**	**858**	**567**	**1,425**

Other Heritage Assets

For the following Heritage Assets, no valuation is held as the records for the cost of acquisition / construction are no longer available, and they are not insured as individual items so are not recorded on the Council's balance sheet. Although these assets have a cultural significance to the local community, they are not considered to have a material financial value.

War Memorials
The Council has two war memorials, one in Runcorn on Moughland Lane and the other in Widnes in Victoria Park.

Duck Decoy (Hale Village)
The Duck Decoy in Hale Village has been restored for use as a nature reserve with assistance from the Heritage Lottery Fund

Outdoor Works of Art
A metal sculpture called Spire in Church Street, Runcorn and works of art on Runcorn Promenade and within sets of railings and panels around Halton Castle.

Halton Castle
One of only two Norman Castles remaining in Cheshire, managed on behalf of the Council by Norton Priory Museum Trust.

19. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2022/23 £000		2023/24 £000
(44)	Rental Income from Investment Property	(39)
21	Direct Operating Expenses from Investment Property	15
(23)		**(24)**

Investment Properties are not directly involved in the delivery of a service and are valued annually.

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council’s right to the remittance of income and the proceeds of disposal. The Council has no obligations to purchase, construct or develop investment property or undertake repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2022/23 £000	2023/24 £000
Balance at the start of the year	**1,344**	**1,344**
Additions:		
- Purchases	-	-
- Construction	-	-
- Subsequent expenditure	-	-
Disposals	-	(73)
Net gain/(losses) from fair value adjustments	-	52
Transfers:		
- (To)/from Inventories	-	-
- (To)/from Property, Plant and Equipment	-	-
Other changes	-	-
	1,344	**1,323**

For details of the fair value valuations used for Investment Properties, see Note 17.

20. Intangible Assets

The Council accounts for its software as intangible assets, with the exception of software which is an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are 5 years.

The carrying amounts of intangible assets are amortised on a straight-line basis. The amortisation of £0.238m charged to revenue in 2023/24 was charged to various cost centres and then absorbed as an overhead across all service headings in the Net Expenditure of Continuing Operations.

The movement on Intangible Asset balances during the year is as follows:

	2022/23 £000	2023/24 £000
Balance at start of year:		
Gross carrying amounts	9,859	10,147
Accumulated amortisation	(9,227)	(9,421)
Net carrying amount at start of year	**632**	**726**
Additions:		
Purchases	288	296
Amortisation for the period	(194)	(238)
Net carrying amount at end of year	**726**	**784**
Comprising:		
Gross carrying amounts	10,147	10,443
Accumulated amortisation	(9,421)	(9,659)
	726	**784**

21. Assets Held for Sale

	2022/23	2023/24
	£000	£000
Balance Outstanding at Start of Year	**12,946**	**12,229**
Assets Newly Classified as Held for Sale:		
- Property, Plant and Equipment	-	-
- Intangible Assets	-	-
Revaluation Losses	-	-
Revaluation Gains	-	-
Impairment Losses	-	-
Assets Declassified as Held for Sale:		
- Property, Plant and Equipment	(208)	(5,242)
- Intangible Assets	-	-
Assets Sold	(510)	(6,000)
Transfers from Non-Current to Current	-	-
Other Movements	1	-
Balance Outstanding at Year-End	**12,229**	**987**

For details of the fair value valuations used for Assets Held for Sale, see Note 17.

Please note all Assets Held for Sale are due to be sold within a year and are shown as Current Assets on the Balance Sheet.

22. Investments

Investments in Associates and Joint Ventures are shown below:

	31/03/2023	31/03/2024
	£000	£000
Associates		
Daresbury SIC LLP (25% equity shares)	4,869	5,003
	4,869	**5,003**

Copies of the accounts for Daresbury SIC LLP are available from Companies House (gov.uk/get-information-about-a-company)

Long-term Investments consist of:

	31/03/2023	31/03/2024
Subsidiaries	**£000**	**£000**
Mersey Gateway Share Capital - de minimis	-	-
	-	**-**
Other Long Term Investments		
Municipal Bonds Agency	10	10
CCLA Property Fund	8,869	8,523
Long Term Deposits	16,700	15,000
	25,579	**23,533**
Total Long Term Investments	**25,579**	**23,533**

Short-term investments consist of:

	31/03/2023	31/03/2024
	£000	**£000**
UK Banks & Building Societies		
Santander	20,000	-
Goldman Sachs	5,000	-
Non-UK Banks		
Bank of Montreal	10,000	5,000
Toronto Dominion Bank	10,000	-
Local Authorities		
Police and Crime Commissioner for Kent	-	5,000
Aberdeen City Council	-	7,000
Adur District Council	-	1,000
Gravesham Borough Council	-	5,700
Cambridgeshire County Council	5,000	-
Slough Borough Council	10,000	-
Gloucester City Council	5,000	-
Interest accrued on investments 31st March	845	948
	65,845	**24,648**

23. Debtors

	Gross Debtors	Impairment	Net Debtors	Gross Debtors	Impairment	Net Debtors
	31/03/2023			31/03/2024		
Short Term	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Mersey Gateway						
- Toll and registration fees	1,870	(1,702)	**168**	2,597	(2,137)	**460**
- Public charge notices	23,425	(21,758)	**1,667**	32,632	(30,849)	**1,783**
VAT	3,280	-	**3,280**	6,401	-	**6,401**
Other receivable amounts	38,273	(5,294)	**32,979**	41,899	(5,760)	**36,139**
Prepayments	2,663	-	**2,663**	3,036	-	**3,036**
Local Taxation	19,427	(14,683)	**4,744**	22,431	(17,402)	**5,029**
	88,938	**(43,437)**	**45,501**	**108,996**	**(56,148)**	**52,848**
Long Term						
Other receivable amounts	13,012	-	**13,012**	13,113	-	**13,113**
	13,012	**-**	**13,012**	**13,113**	**-**	**13,113**

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

	31/03/2023	31/03/2024
	£000	**£000**
Less than one year	2,363	2,354
One to two years	991	1,062
Two to three years	542	687
Three to four years	364	382
Four to five years	243	273
Five years and above	241	271
	4,744	**5,029**

24. Cash and Cash Equivalents

	31/03/2023	31/03/2024
	£000	**£000**
Cash held by the Council	53	45
Bank current accounts	2,290	1,352
Short-term deposits	9,818	55,975
	12,161	**57,372**

25. Creditors

	31/03/2023	31/03/2024
	£000	**£000**
Mersey Gateway		
- Payment to toll collection company	(2,203)	(2,608)
- Payment of unitary charge	(6,378)	(6,582)
- Construction costs	(10)	(363)
- Mersey Gateway excess revenue share repayable to DFT	-	(44,750)
Short-term element of long-term liabilities	(7,941)	(9,139)
Other payable amounts	(44,470)	(50,631)
	(61,002)	**(114,073)**

26. Borrowings

Short-term borrowings consist of:

	31/03/2023 £000	31/03/2024 £000
Source of loans:		
Lancaster City Council	(5,000)	-
Ashfield District Council	(5,000)	(5,000)
West Midlands Combined Authority	(5,000)	-
Chichester District Council	-	(5,000)
Gwynedd Council	-	(5,000)
Cambridge and Peterborough Combined Authority	-	(5,000)
West Yorkshire Pension Fund	-	(10,000)
Swansea County Council	-	(5,000)
Interest accrued on borrowing	(760)	(3,150)
	(15,760)	**(38,150)**

Long-term borrowings consist of:

	31/03/2023 £000	31/03/2024 £000
Source of loans:		
Public Works Loan Board	(162,000)	(172,000)
Commerzbank	(10,000)	-
	(172,000)	**(172,000)**
Analysis of loans by maturity:		
Maturing in 1-2 years	-	-
Maturing in 2-5 years	-	(10,000)
Maturing in 5-10 years	-	-
Maturing in more than 10 years	(172,000)	(162,000)
	(172,000)	**(172,000)**

27. Provisions

	Short-Term					Long-Term		
	NNDR Appeals £000	Insurance Provision £000	Mersey Gateway Grant £000	Other Provisions £000	Total £000	NNDR Appeals £000	Mersey Gateway Grant £000	Total £000
Balance at 1st April 2022	**(1,787)**	**(1,532)**	**-**	**(354)**	**(3,673)**	**(4,867)**	**(62,403)**	**(67,270)**
Movement in use of provision in year	800	281	-	-	1,081	3,877	(92)	3,785
Amounts reclassified from >12 months	-	-	(46,345)	-	(46,345)	-	46,345	46,345
Amounts reclassified from <12 months	-	-	-	-	-	-	-	-
Balance at 31st March 2023	**(987)**	**(1,251)**	**(46,345)**	**(354)**	**(48,937)**	**(990)**	**(16,150)**	**(17,140)**
Balance at 1st April 2023	**(987)**	**(1,251)**	**(46,345)**	**(354)**	**(48,937)**	**(990)**	**(16,150)**	**(17,140)**
Movement in use of provision in year	(1,016)	242	46,345	-	45,571	990	(7,276)	(6,286)
Amounts reclassified as <12 months	-	-	-	-	-	-	-	-
Amounts reclassified from <12 months	-	-	-	-	-	-	-	-
Balance at 31st March 2024	**(2,003)**	**(1,009)**	**-**	**(354)**	**(3,366)**	**-**	**(23,426)**	**(23,426)**

NNDR Appeals
The Council is required to make a provision for NNDR valuation appeal claims. It is assumed that appeals outstanding on the 2023 list will be settled in 2024/25.

Insurance Provision
The Council have a number of insurance claims outstanding in relation to employers' liability and public liability claims. The provision shown above reflects the expected cost to the Council, up to the value of the excess for each claim. It is assumed that all claims will be settled during 2024/25.

Mersey Gateway Grant Repayment
As part of the agreement with the Department for Transport, following each 3-year project review, the next being in 2026/27, 85% of any unused grant is to be repaid to Central Government.

28. Contingent Liabilities

At 31st March 2024, the Council had one categories of material Contingent Liabilities:

Town and Country Planning Act 1990

Under the Town and Country Planning Act 1990, participants in planning appeals can apply for costs against other parties. The Council have received two applications for the award of costs. The Council are defending the claims and a final decision is yet to be made. No details have been provided on the actual costs participants are claiming but based on historical cases it is estimated these costs will be in the region of £650,000.

29. Other Long-Term Liabilities

	31/03/2023	31/03/2024
	£000	£000
Defined benefit pension liability	(4,744)	(4,504)
Finance PFI lease liability due in more than 12 months	(16,551)	(15,924)
Mersey Gateway unitary charge due in more than 12 months	(328,862)	(320,351)
Repayment of grant due in more than 12 months	-	(1,846)
Deferred liabilities	(29)	(29)
	(350,186)	**(342,654)**

30. Leases

Operating Leases – Authority as Lessee

The Council has acquired a number of properties by entering into operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

	31/03/2023	31/03/2024
	£000	£000
Not later than one year	169	196
Later than one year and not later than five years	584	602
Later than five years	9,670	9,412
	10,423	**10,210**

Operating Leases - Authority as a Lessor

The Council leases out property under operating leases to supplement the Council's income, to allow short-term use of assets being retained for longer-term asset strategy and to allow the use of Council assets by the third sector.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31/03/2023	31/03/2024
	£000	£000
Not later than one year	1,495	653
Later than one year and not later than five years	1,707	1,800
Later than five years	8,854	6,697
	12,056	**9,150**

Finance Leases - Authority as a Lessor

The authority leases buildings in Venture Fields and Daresbury SciTech. The authority has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the properties when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the authority in future years while the debtor remains outstanding. The gross investment is made up of the following amounts:

	31/03/2023	31/03/2024
	£000	£000
Finance lease debtor (net present value of minimum lease payments)		
- Current	539	552
- Non-Current	10,319	9,768
Unearned finance income	2,552	2,281
Gross investment in the lease	**13,410**	**12,601**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31/03/2023	31/03/2024	31/03/2023	31/03/2024
	£000	£000	£000	£000
Not later than one year	810	810	810	810
Later than one year and not later than five years	3,238	3,238	3,238	3,238
Later than five years	9,363	8,553	9,363	8,553
	13,411	**12,601**	**13,411**	**12,601**

As the Council is unaware of any financial circumstances that might result in lease payments not being made, there has been no provision set aside for uncollectable amounts. This will be reviewed on an annual basis.

31. Private Finance Initiatives and Similar Schemes

Halton Grange School PFI Scheme

On 20th June 2011 the Council entered into a 25-year Private Finance Initiative (PFI) arrangement with HTP Grange Ltd for the provision of 1 new high school. There is a 25-year PFI contract for the construction, maintenance, and facilities management of Grange School. The new school building was handed over to the Council on 15th April 2013 and on 1st January 2018 the school converted to an academy.

The Grange PFI School was removed from the Council's Property Plant and Equipment during 2017/18 at a cost of £21.4m. As the Council is party to the contract with the PFI Operator, the PFI liability is retained on the Council's Balance Sheet and the income from the Academy school is recognised to reduce the overall charge in the year.

The contract specifies minimum standards for the services provided by the contractor to the school. The contractor took on the obligation to construct the school and maintain it in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the school. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for the costs incurred and future profits that would have been generated over the remaining term of the contract.

Payments

The Council makes an agreed payment each year which is increased annually by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year, but which is otherwise fixed.

Payments remaining to be made under the PFI contract at 31st March 2024 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services £000	Reimbursements of Capital Expenditure £000	Interest £000	Total £000
Payment in 2024/25	2,159	628	1,420	4,207
Payable within 2-5 years	8,081	3,403	5,060	16,544
Payable within 6-10 years	10,405	5,843	4,432	20,680
Payable within 11-15 years	8,358	6,672	1,514	16,544
Total	**29,003**	**16,546**	**12,426**	**57,975**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value for the services they provide, the capital expenditure incurred and interest payable. The liability outstanding to the contractor for capital expenditure incurred is as follows:

	2022/23 £000	2023/24 £000
Balance outstanding at 1st April	**17,720**	**17,162**
Payments during the year	(558)	(616)
Capital expenditure incurred in the year	-	-
Balance outstanding at 31st March	**17,162**	**16,546**

The carrying value of the PFI liability is the present value of the payments due using the interest rate implicit in the contract.

Mersey Gateway – Unitary Payments

On 13th October 2017 the Mersey Gateway Bridge opened. The project was funded through a mixture of capital payments from Halton Borough Council and monthly unitary charge payments to Merseylink paid using the toll income raised. Unitary Charge payments cover the costs of construction and ongoing maintenance of the bridge for a period of 27 years.

The Mersey Gateway Bridge is recognised in Infrastructure Assets on the Council's Balance Sheet. Movements in the value of the Mersey Gateway over the year are detailed in the analysis of the movement on the property, plant and equipment balance in Note 17.

The Project Company took on the obligation to construct the bridge and associated roads and maintain them in a minimum acceptable condition. At the end of the contract the assets will be handed back to the Council for nil consideration. Full details of the requirement to achieve acceptable handback condition are in the Project Agreement. The Council has rights to terminate the contract if it compensates the contractor in full as detailed in the Project Agreement. There are also provisions for termination by either party for certain breaches of performance.

Payments

The Council makes an agreed payment each month to Merseylink which is increased annually by inflation and can be reduced if traffic flows fall below an agreed level.

Payments remaining to be made under the scheme at 31st March 2024 (excluding any deductions) are as follows:

	Payment for Services £000	Reimbursements of Capital Expenditure £000	Interest £000	Total £000
Payment in 2024/25	8,260	8,511	24,918	41,689
Payable within 2-5 years	34,356	39,803	92,598	166,757
Payable within 6-10 years	49,655	61,735	97,056	208,446
Payable within 11-15 years	51,385	87,732	69,328	208,445
Payable within 16-20 years	48,477	131,081	28,887	208,445
Total	**192,133**	**328,862**	**312,787**	**833,782**

Please note, the services element of the contract is calculated using the estimated costs over the life of the agreement.

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred, and interest payable. The liability outstanding to the contractor for capital expenditure incurred is as follows:

	2022/23 £000	2023/24 £000
Balance outstanding at 1st April	**342,955**	**336,188**
Payments during the year	(6,767)	(7,326)
Capital expenditure incurred in the year	-	-
Balance outstanding at 31st March	**336,188**	**328,862**

32. Pension Schemes

Disclosure of Net Pensions Asset/Liability

Participation in pension schemes

As part of the terms and conditions of employment of its officers and other employees, the Council makes contributions towards the cost of post-employment retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their entitlement.

The Council participates in three pension schemes, all of which offer defined benefit schemes:

The Local Government Pension Scheme administered by Cheshire West and Chester Council - this is a funded career average revalued earnings (CARE) defined benefit scheme, meaning that the Council and its employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The principal risks to the authority of the scheme are the longevity assumptions, changes to inflation, bond yields, the performance of the equity investments held, and any significant statutory or structural changes to the scheme. The risks are, in part, mitigated by the annual process of charging to the General Fund any increase/decrease in the net asset or liability, as identified in the actuarial valuation.

The Teachers' Pension Scheme – this is a centralised scheme administered by Teachers' Pensions Agency. Although the scheme is unfunded, the Agency uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Education Authorities.

The NHS Pension Scheme relates to 22 employees. The scheme operates on a similar basis to the Teachers' pension scheme.

Local Government Pension Scheme

Transactions Relating to Post-Employment Benefits

In 2023/24, the Council paid an employer's contribution to the Cheshire Pension Fund of £16.010m (£14.214m in 2022/23).

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the General Fund Balance via the Movement in Reserves Statement during the year.

Following the revaluation by our actuary it was determined that the fair value of the pension plan asset outweighed the present value of the plan obligations as at 31st March 2024, which resulted in a plan asset. IAS19 Employee Benefits requires that, where a pension asset exists, it is measured at the lower of the surplus in the defined benefit plan, and the asset ceiling. The calculation was completed by the actuaries and it was determined that the asset ceiling is nil. An adjustment has been added to notes below to reflect this.

	2022/23	2023/24
Comprehensive Income & Expenditure Statement		
Cost of Services	**£000**	**£000**
Current service costs	31,669	15,916
Past service costs/(gain)	-	335
Losses/(gains) from settlements	-	(369)
Finance & Investment Income & Expenditure		
Net interest expense	2,690	(4,600)
Interest on the effect of the asset ceiling	-	4,816
Total Post-Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**34,359**	**16,098**
Other Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	86,611	(12,383)
Actuarial (gains) and losses arising on changes in demographic assumptions	(10,438)	(3,842)
Actuarial (gains) and losses arising on changes in financial assumptions	(302,110)	(32,769)
Other experience	18,341	18,311
Asset ceiling adjustment	101,397	30,780
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**(106,199)**	**97**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	**(34,359)**	**(16,098)**
Actual amount charged against the General Fund Balance for pensions in the year:		
Contributions in respect of unfunded benefits	**408**	**425**
Employers’ contributions payable to scheme	**14,214**	**16,010**

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	2022/23 £000 Restated	2023/24 £000
Present value of funded liabilities	(569,402)	(574,476)
Present value of unfunded liabilities	(4,741)	(4,504)
Fair value of plan assets	670,796	711,469
Sub Total	**96,653**	**132,489**
Other movement in the asset / liability	-	-
Net asset / (liability) arising from defined benefit obligation	**96,653**	**132,489**

This table has been restated to reflect the format of the 2023/24 accounts, but there have been no changes to the underlying figures.

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets.

	2022/23 £000 Restated	2023/24 £000
Opening fair value of scheme assets	743,923	670,796
Interest income	20,061	31,788
Remeasurement gain / (loss)	(5,782)	-
The return on plan assets, excluding the amount included in the net interest expense	(86,611)	12,383
Contributions from employer	14,214	16,010
Contributions from employees into the scheme	4,496	4,873
Benefits Paid	(19,505)	(23,743)
Effect of settlements	-	(638)
Closing fair value of scheme assets	**670,796**	**711,469**

This table has been restated to reflect the format of the 2023/24 accounts, but there have been no changes to the underlying figures.

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation).

	2022/23	2023/24
	£000	£000
Opening balance at 1st April	**(835,127)**	**(574,143)**
Current service cost	(31,669)	(15,916)
Interest cost	(22,751)	(27,188)
Contribution from scheme participants	(4,496)	(4,873)
Remeasurement (gains) and losses:		
- Actuarial gains / losses arising from changes in demographic assumptions	10,438	3,842
- Actuarial gains / losses arising from changes in financial assumptions	302,110	32,769
- Other	(12,561)	(18,311)
Past service cost	-	(335)
Benefits paid	19,913	24,168
Liabilities extinguished on settlements	-	1,007
Closing balance at 31st March	**(574,143)**	**(578,980)**

Reconciliation of Asset Ceiling Adjustment.

	2022/23	2023/24
	£000	£000
Opening effect of the asset ceiling	-	(101,397)
Interest on the effect of the asset ceiling	-	(4,816)
Changes in the effect of the asset ceiling	(101,397)	(30,780)
Closing effect of the asset ceiling	**(101,397)**	**(136,993)**

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2022/23			Fair value of scheme assets 2023/24		
	Quoted prices in active markets £000	Unquoted prices not in active markets £000	Total £000	Quoted prices in active markets £000	Unquoted prices not in active markets £000	Total £000
Cash and cash equivalents	**-**	**29,557**	**29,557**	**-**	**8,148**	**8,148**
Equity securities						
- Consumer	3,037	-	3,037	3,441	-	3,441
- Manufacturing	3,101	-	3,101	3,585	-	3,585
- Energy & utilities	-	-	-	-	-	-
- Financial institutions	-	-	-	743	-	743
- Health & care	1,052	-	1,052	1,309	-	1,309
- Information technology	17,252	-	17,252	23,828	-	23,828
- Other	2,184	-	2,184	1,847	-	1,847
Sub-total equity	**26,626**	**-**	**26,626**	**34,752**	**-**	**34,752**
Debt securities						
- Corporate bonds	-	-	-	-	-	-
- Government bonds	-	-	-	-	-	-
- Other	-	-	-	-	-	-
Sub-total bonds	**-**	**-**	**-**	**-**	**-**	**-**
Property						
- UK property	-	55,887	55,887	-	49,891	49,891
- Overseas property	-	888	888	-	953	953
Sub-total property	**-**	**56,775**	**56,775**	**-**	**50,844**	**50,844**
Private Equity	**-**	**46,753**	**46,753**	**-**	**48,356**	**48,356**
Other investment funds						
- Equities	198,251	-	198,251	205,359	-	205,359
- Bonds	160,005	75,776	235,781	162,019	106,890	268,909
- Hedge funds	-	44,548	44,548	-	50,553	50,553
- Infrastructure	-	4,431	4,431	-	11,606	11,606
- Other	-	28,074	28,074	-	32,941	32,941
Sub-total investment funds	**358,256**	**152,829**	**511,085**	**367,378**	**201,990**	**569,368**
Total Assets	**384,882**	**285,914**	**670,796**	**402,131**	**309,338**	**711,469**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries.

The principal assumptions used by the actuary are shown below:

	2022/23	2023/24
Mortality Assumptions		
Longevity at 65 for current pensioners:		
- Men	21.3 years	20.8 years
- Women	23.7 years	23.5 years
Longevity at 65 for future pensioners:		
- Men	22.3 years	21.3 years
- Women	25.5 years	24.8 years
Rate of inflation	3.0%	2.8%
Rate of increase in salaries	3.7%	3.5%
Rate of increase in pensions	3.0%	2.8%
Rate for discounting scheme liabilities	4.8%	4.9%
Take-up of option to convert annual pension into retirement lump sum		
- Service to April 2008	65%	65%
- Service from April 2008	65%	65%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis overleaf did not change from those used in the previous period.

Change in assumptions at 31st March 2024	Approximate % increase to Defined Benefits Obligation	Approximate monetary amount £000
0.1% decrease in Real Discount Rate	2%	10,479
1 year increase in Member Life Expectancy	4%	23,061
0.1% increase in the Salary Increase Rate	0%	483
0.1% increase in the Pension Increase Rate	2%	10,188

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the 20 years following the last valuation. Funding levels are monitored on an annual basis and the next triennial valuation is due to be completed on 31st March 2025.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31st March 2014 (or service after 31st March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

The authority is anticipated to pay contributions of £15.452m to the scheme in 2024/25.

The weighted average duration of the defined benefit obligation for scheme members is 18 years in 2023/24 (18 years in 2022/23).

Further information can be found in Cheshire West and Chester Council's Pension Funds Annual Report, which is available from Cheshire Pension Fund, Cheshire West and Chester Council, 4 Civic Way, Ellesmere Port, CH65 0BE.

Teachers' Pension Scheme

Defined Contribution Scheme

In 2023/24, the Council paid an employers' contribution to the Teachers' Pension Agency of £6.365m (£6.124m in 2022/23) in respect of teachers' pension costs. The contribution rate for 2023/24 was 23.7% (23.7% in 2022/23) of teachers' pensionable pay.

The scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by Local Education Authorities. It is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purpose of the statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Council is responsible for any additional benefits granted upon early retirement, outside the standard terms of the scheme. For the year 2023/24 the cost was £0.168m (£0.431m in 2022/23).

NHS Pension Scheme

Defined Contribution Scheme

In 2023/24 the Council paid an employers' contribution to the National Health Service Pension Scheme in respect of 22 employees, the amount paid was £0.157m (£0.125m in 2022/23) in respect of these former NHS employees' pension costs. The contribution rate was 14.4% (14.4% in 2022/23) of pensionable pay, with an additional 2.5% bi-annual contribution towards the increase in employer contributions of 6.3% in 2019. The NHS are responsible for funding the remaining 3.8% of the increase.

The scheme is a defined benefit scheme. Although the scheme is unfunded, the NHS use a notional fund as the basis for calculating the employers' contribution rate paid by local authorities.

It is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

33. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets

	Long Term 31/03/2023	Current 31/03/2023	Long Term 31/03/2024	Current 31/03/2024
	£000	£000	£000	£000
Fair value through profit and loss	8,868	-	8,523	-
Amortised cost				
- Investments	16,701	65,845	15,000	24,648
- Debtors	13,012	34,673	13,112	38,199
- Cash & cash equivalents	-	12,161	-	57,372
Fair value through other comprehensive income				
- Designated equity instruments	10	-	10	-
- Other	4,869	-	5,003	-
Total financial assets	**43,460**	**112,679**	**41,648**	**120,219**
Assets not defined as financial instruments	846,155	23,464	877,911	15,973
Total assets	**889,615**	**136,143**	**919,559**	**136,192**

Financial Liabilities

	Long Term 31/03/2023	Current 31/03/2023	Long Term 31/03/2024	Current 31/03/2024
	£000	£000	£000	£000
Financial liabilities at amortised cost				
- Borrowings	(172,000)	(15,760)	(172,000)	(38,150)
- Finance lease liabilities and PFI	(16,551)	(616)	(15,924)	(628)
- Mersey Gateway Unitary Charge	(328,862)	(7,326)	(320,351)	(8,511)
- Creditors	-	(48,056)	(1,845)	(99,605)
Fair Value through profit or loss	-	-	-	-
Total financial liabilities	**(517,413)**	**(71,758)**	**(510,120)**	**(146,894)**
Liabilities not defined as financial instruments	(21,913)	(69,558)	(29,500)	(15,911)
Total liabilities	**(539,326)**	**(141,316)**	**(539,620)**	**(162,805)**

Financial Instruments Designated at Fair Value through Profit or Loss

The Council's investment in the CCLA Property Fund has been disclosed at Fair Value through Profit or Loss and is valued at £8.522m at 31st March 2024 (£8.869m at 31st March 2023).

The valuation is based on the net asset value provided by CCLA at 31st March 2024.

As the property fund has been classified at Fair Value through Profit or Loss, the changes in the valuation would have a direct impact on the General Fund Balance, but to comply with the IFRS statutory override, any unrealised gains or losses since the acquisition of the fund units have been moved to the Pooled Investment Fund Adjustment Account. Further details can be found in Note 37.

Investments in Equity Instruments Designated at Fair Value through Other Comprehensive Income

The Council holds a 25% equity holding in Daresbury SIC LLP, valued at a net asset value of £5.003m at 31st March 2024 (£4.869m at 31st March 2023).

The Council also holds a £0.010m shareholding in the Municipal Bonds Agency, which is valued at cost based on materiality.

Income, Expense, Gains and Losses

	2022/23		2023/24	
	Surplus or Deficit on the Provision of Services £000	**Other Comprehensive Income and Expenditure £000**	**Surplus or Deficit on the Provision of Services £000**	**Other Comprehensive Income and Expenditure £000**
Net (gains)/losses on:				
Financial assets measured at fair value through profit or loss	1,750	-	347	-
Financial assets measured at fair value through other comprehensive income	-	233	-	(134)
Interest revenue				
Financial assets measured at amortised cost	(2,221)	-	(5,438)	-
Financial assets measured at fair value through profit or loss	(369)	-	(424)	-
Interest expense	34,065	-	34,139	-
Net Gain/(Loss)	**33,225**	**233**	**28,624**	**(134)**

Fair Values of Financial Assets

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy £000	Valuation technique used to measure fair value £000	31/03/2023 £000	31/03/2024 £000
Fair Value through Profit or Loss:				
CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	8,869	8,523
Fair Value through Other Comprehensive Income & Expenditure:				
Daresbury SIC LLP	Level 2	Net Asset Valuation	4,869	5,003
Municipal Bonds Agency	Level 3	At Cost	10	10

There have been no transfers between input levels during the year, and no change in the valuation technique used.

The Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value disclosures are required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the authority are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments (Level 2), using the following assumptions:

- Estimated ranges of interest rates at 31st March 2024 for loans from PWLB and other loans receivable and payable, based on new lending rates for equivalent loans at that date.
- No early repayment or impairment is recognised for loans or investments.
- Short Term Investments, Cash, and Cash Equivalents are held at carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount less a provision for impairment.
- Short-term creditors are carried at cost.

The fair values are shown below:

	2022/23		2023/24	
Financial Assets - short-term	**Carrying Amount £000**	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Investments	65,845	65,808	24,648	24,648
Cash and cash equivalents	12,161	12,161	57,372	57,372
Debtors	34,673	34,673	38,199	38,199
Financial Assets - long-term				
Investments	16,701	16,347	15,000	15,162
Debtors	13,012	13,012	13,112	13,113
Fair value through profit and loss	8,868	8,868	8,523	8,522
Fair value through other comprehensive income	4,879	4,879	5,013	5,013

Where the fair value of assets is higher than the carrying amount, this is because the Council's portfolio of investments includes a number of fixed rate investments where the interest receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at the 31st March 2024) attributable to the commitment to receive interest above current market rates.

Where the fair value is lower than the carrying amount, this is because the Council's portfolio of investments includes a number of fixed rate investments where the interest receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at the 31st March 2024) attributable to the commitment to receive interest below current market rates.

	2022/23		2023/24	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial Liabilities - short-term	**£000**	**£000**	**£000**	**£000**
Borrowings	(15,760)	(15,760)	(38,150)	(38,150)
Finance lease liabilities & PFI	(616)	(616)	(628)	(628)
Mersey Gateway unitary charge	(7,326)	(7,326)	(8,511)	(8,511)
Creditors	(48,056)	(48,056)	(99,605)	(99,605)
Financial Liabilities - long-term				
Borrowings	(172,000)	(147,285)	(172,000)	(138,491)
Finance lease liabilities & PFI	(16,551)	(21,992)	(15,924)	(19,844)
Mersey Gateway unitary charge	(328,862)	(436,565)	(320,351)	(407,015)
Creditors	-	-	(1,845)	(1,845)

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2024) arising from a commitment to pay interest to lenders above current market rates.

Nature and Extent of Risks from Financial Instruments

The Council's activities expose it to a variety of financial risks:

Credit Risk – the possibility that other parties might fail to pay amounts due to the Council

Liquidity Risk – the possibility that the Council might not have enough funds available to meet its commitments to make payments

Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the treasury management section, under policies approved by the Council in the Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest risk, credit risk and the investment of surplus cash.

Fair Value

The Code requires that each class of financial asset and liability should disclose the "fair value" in a way that permits it to be compared with its carrying amount, as well as the method used in determining such fair values. The Council has used Link Asset Services, its treasury management advisors, to calculate these values and they have based the calculation on the appropriate PWLB rate for new loans as at 31st March 2024.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures from the Council's customers.

Risks are minimised through the Annual Investment Strategy by ensuring that cash deposits are only placed with financial institutions identified on the Council's Approved List of Counterparties that meet identified minimum credit criteria and imposes a maximum sum to be invested with a financial institution located within each category. This list was established as one of the series of controls recommended by the CIPFA Code of Practice on Treasury Management (the Code) which the Council has adopted. The Annual Investment Strategy is regularly reviewed, as is the approved counterparty list, to help minimise the Council's exposure to risk.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments held in banks and building societies of £25.384m cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all Council deposits, but there was no evidence at 31st March 2024 that this was likely to crystallise.

During the year the Council complied fully with the requirements laid out in the Code and no counterparty indicated any problem with repaying any deposit placed by the Council.

The counterparties on the Councils' list are grouped and ranked by a mixture of credit ratings and size, and are set out below:

Maximum Deposit per institution £000	**Counterparties**	**Exposure at 31/03/2024 £000**
40,000	UK Government	-
	UK Banks and Building Societies	
30,000	- Minimum Rating AAA	-
25,000	- Minimum Rating AA	240
20,000	- Minimum Rating A	20,144
10,000	- Minimum Rating BBB	-
	Foreign Banks (with Sovereign Rating of AAA)	
25,000	- Minimum Rating AAA	-
20,000	- Minimum Rating AA	5,000
10,000	- Minimum Rating A	-
	Money Market Funds	
20,000	- Minimum Rating AAA	12,550
10,000	Property Funds	8,522
40,000	Local Authorities	56,700
		103,156

The amount invested in the CCLA Property Fund is £10m, the value of which was £8.522m at 31st March 2024 (£8.869 at 31st March 2023).

The counterparties on the list are under constant assessment using a variety of sources including rating agencies and professional advice.

The following table analyses the Council's potential maximum exposure to credit risk on financial assets. The historical experience of default has been provided by Link Asset Services based on the rating of each institution.

	Amount outstanding at 31/03/2024 £000	Historical experience of default %	Estimated maximum exposure to default and non-collection at 31/03/2024 £000
Deposits with AA rated banks and building societies			
- 1 year and over	-	0.02	-
- under 1 year	5,240	0.00	-
Deposits with A rated banks and building societies			
- 1 year and over	-	0.05	-
- under 1 year	20,144	0.00	-
Deposits with other Local Authorities	56,700	0.00	-
Deposits with MMF	12,550	0.00	-
Deposits with property funds	8,522	0.00	-
	103,156		**-**

None of the Council's counterparties had any difficulty in repaying their liabilities during 2023/24. There has been no impairment of any financial assets during the course of the year. The Council does not anticipate any losses due to non-performance of its counterparties.

An analysis of the customer/client debt is shown below. As at 31st March 2024, £53.45m of this debt is overdue:

	31/03/2023 £000	**31/03/2024 £000**
Less than 3 months	9,004	10,277
3 to 6 months	6,557	5,784
6 months to 1 year	7,942	8,661
More than 1 year	18,835	29,153
	42,338	**53,875**
Provision for non-payment	(28,754)	(38,746)

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board (PWLB). There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods.

The maturity analysis of financial liabilities is as follows.

	31/03/2023	31/03/2024
	£000	£000
Less than 1 year	71,758	146,894
Between 1 and 2 years	9,144	12,024
Between 2 and 5 years	31,524	43,032
More than 5 years	476,745	455,063
	589,171	**657,013**

Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowing and investments. Movements in interest rates can have a complex impact on the Council. For example, a rise in interest rates would have the following effects:

Borrowing at variable rates – the interest expense charged to the Comprehensive Income & Expenditure Statement will rise

Borrowing at fixed rates – the fair value of liabilities will fall (with no impact on revenue balances)

Investment at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise

Investment at fixed rates – the fair value of assets will fall (with no impact on revenue balances)

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes to interest payable and receivable on variable rate borrowings and investments are posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, the treasury management section monitors interest rates within the year and adjusts exposures accordingly. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses and fixed rate investments may be taken for longer periods to secure better long-term results. Similarly, the drawing of longer-term fixed rate borrowing would be postponed.

If interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31/03/2024
	£000
Increase in interest payable on short-term borrowings	125
Increase in interest receivable on short-term investments	(1,086)
	(961)

The impact of a 1% fall in interest rates would be as shown previously but with movements being reversed.

Price Risk

The Council has invested £10m in the CCLA property fund as at 31st March 2024. The price of the investment is subject to potential gains and losses based on market volatility. The investment is shown in the accounts at its value as at 31st March 2024 and any gains or losses relating to this investment are shown in the Comprehensive Income and Expenditure Statement but due to the IFRS statutory override there is no impact on the General Fund.

The Council has no other holdings that are subject to market volatility, an example of which would be shares traded on the equity market.

Foreign Exchange Risk

Other than £5k held in petty cash, the Council has no financial assets or liabilities, denominated in foreign currencies and thus has no exposure to loss or movement in exchange rates.

34. Adjustments between Accounting Basis and Funding Basis under Regulation

This note details the adjustments that are made to total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

(a) 2023/24

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Movement in Usable Reserves £000**	**Movement in Unusable Reserves £000**
Capital adjustment account reversal of items debited or credited to the CIES:					
Charges for depreciation and impairment on non-current assets	(26,316)	-	-	**(26,316)**	**26,316**
Revaluation losses on Property, Plant and Equipment	255	-	-	**255**	**(255)**
Movements in the Market Value of Investment Properties	52	-	-	**52**	**(52)**
Amortisation of Intangible Assets	(238)	-	-	**(238)**	**238**
Capital Grants and Contributions applied	11,553	-	8,103	**19,656**	**(19,656)**
Revenue Expenditure Funded by Capital Under Statute	(9,783)	-	-	**(9,783)**	**9,783**
Amounts written off on disposal of Academies to CIES	(4,960)	-	-	**(4,960)**	**4,960**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	6,262	(13,170)	-	**(6,908)**	**6,908**
Insertion of items not debited or credited to the CIES:					
Statutory provision for the financing of Capital investment	11,410	-	-	**11,410**	**(11,410)**
Capital expenditure charged against the General Fund Balance	294	-	-	**294**	**(294)**
Capital Grants Unapplied Account					
Capital Grants and Contributions unapplied credited to the CIES	9,528	-	(9,528)	**-**	**-**

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Movement in Usable Reserves £000**	**Movement in Unusable Reserves £000**
Capital Receipts Reserve					
Use of Capital Receipts Reserve to Finance new Capital Expenditure	-	3,238	-	**3,238**	**(3,238)**
Use of Capital Receipts to reduce MRP liability	-	7,744	-	**7,744**	**(7,744)**
Pensions Reserve					
Reversal of items relating to retirement benefits debited/credited to the CIES	(16,098)	-	-	**(16,098)**	**16,098**
Employers pension contributions and direct payments to pensioners	16,435	-	-	**16,435**	**(16,435)**
Collection Fund Adjustment					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(65)	-	-	**(65)**	**65**
Accumulated Absences Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration in accordance with statutory requirements	113	-	-	**113**	**(113)**
Pooled Investment Fund Adjustment Account					
Reversing the impact of CCLG Property Fund valuation on the General Fund	(346)	-	-	**(346)**	**346**
Dedicated Schools Grant Adjustment Account					
Reversing impact of overspent Dedicated Schools Grant on General Fund	(2,456)	-	-	**(2,456)**	**2,456**
TOTAL ADJUSTMENTS	**(4,360)**	**(2,188)**	**(1,425)**	**(7,973)**	**7,973**

(b) 2022/23

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Movement in Usable Reserves £000**	**Movement in Unusable Reserves £000**
Capital adjustment account reversal of items debited or credited to the CIES:					
Charges for depreciation and impairment on non-current assets	(26,513)	-	-	**(26,513)**	**26,513**
Revaluation losses on Property, Plant and Equipment	(807)	-	-	**(807)**	**807**
Movements in the Market Value of Investment Properties	-	-	-	**-**	**-**
Amortisation of Intangible Assets	(194)	-	-	**(194)**	**194**
Capital Grants and Contributions applied	20,420		5,332	**25,752**	**(25,752)**
Revenue Expenditure Funded by Capital Under Statute	(7,936)	-	-	**(7,936)**	**7,936**
Amounts written off on disposal of Academies to CIES	-	-	-	**-**	**-**
Amounts of non-current assets written off on disposal or sale as gain/loss on disposal to the CIES	2,345	(3,725)	-	**(1,380)**	**1,380**
Insertion of items not debited or credited to the CIES:					
Statutory provision for the financing of Capital investment	9,904	-	-	**9,904**	**(9,904)**
Capital expenditure charged against the General Fund Balance	145	-	-	**145**	**(145)**
Capital Grants Unapplied Account					
Capital Grants and Contributions unapplied credited to the CIES	9,709	-	(9,709)	**-**	**-**

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Movement in Usable Reserves £000**	**Movement in Unusable Reserves £000**
Capital Receipts Reserve					
Use of Capital Receipts Reserve to Finance new Capital Expenditure	-	1,470	-	**1,470**	**(1,470)**
Use of Capital Receipts to reduce MRP liability	-	526	-	**526**	**(526)**
Pensions Reserve					
Reversal of items relating to retirement benefits debited/credited to the CIES	(34,359)	-	-	**(34,359)**	**34,359**
Employers pension contributions and direct payments to pensioners	14,622	-	-	**14,622**	**(14,622)**
Collection Fund Adjustment					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	6,007	-	-	**6,007**	**(6,007)**
Accumulated Absences Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration in accordance with statutory requirements	91	-	-	**91**	**(91)**
Pooled Investment Fund Adjustment Account					
Reversing the impact of CCLG Property Fund valuation on the General Fund	(1,131)	-	-	**(1,131)**	**1,131**
Dedicated Schools Grant Adjustment Account					
Reversing impact of overspent Dedicated Schools Grant on General Fund	(1,036)	-	-	**(1,036)**	**1,036**
TOTAL ADJUSTMENTS	**(8,733)**	**(1,729)**	**(4,377)**	**(14,839)**	**14,839**

35. Usable Reserves

Usable reserves are those reserves that contain resources that the Council can apply to the provision of services, either by incurring expenses or undertaking capital investment. Usable reserves include the General Fund Balance, any earmarked reserves under the General Fund umbrella, the Capital Receipts Reserve and any Capital Grants Unapplied.

General Fund Balance

The General Fund Balance records the Council's accumulated income over expenditure for each financial year. The fund manages the reversal of a number of transactions that are required to be included in the preparation of the financial statements, but which are subsequently removed under statutory mitigation.

Earmarked Reserves

These reserves help to meet specific known or predicted future requirements and are legally part of the General Fund Reserve. The earmarked reserves also include unspent school balances of budgets delegated to individual schools.

The movements in earmarked reserves are analysed in Note 36.

Capital Receipts Reserve

This reserve holds the proceeds from the sale of assets and can only be used for funding capital investment or the repayment of borrowing.

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

Capital Grants Unapplied

This reserve holds Capital Grants income for which all conditions have been met, but the funding has yet to be used to finance capital expenditure.

2021/22 £000	**2022/23 £000**		**2023/24 £000**
		General Fund	
(5,147)	(5,149)	- Excluding Earmarked Reserves	(5,149)
(69,469)	(46,650)	- Earmarked Reserves	(35,517)
		Capital Reserves	
(1,061)	(2,790)	- Capital Receipts Reserve	(4,978)
(24,560)	(28,937)	- Capital Grants Unapplied	(30,362)
(100,237)	**(83,526)**	**Total Usable Reserves**	**(76,006)**

36. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans, and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2023/24.

General Fund	Balance at 31st March 2021 £000	Movement (to)/from Reserve £000	Balance at 31st March 2022 £000	Movement (to)/from Reserve £000	Balance at 31st March 2023 £000	Movement (to)/from Reserve £000	Balance at 31st March 2024 £000
Schools Reserves Balances held by schools under the scheme of delegation	**(7,099)**	(334)	**(7,433)**	226	**(7,207)**	688	**(6,519)**
Capital To support the Council's Capital Programme	**(2,047)**	261	**(1,786)**	613	**(1,173)**	672	**(501)**
Insurance General Fund To self-fund possible insurance claims	**(1,629)**	(445)	**(2,074)**	719	**(1,355)**	355	**(1,000)**
Building Schools for the Future Capital To fund future capital costs	**(5,651)**	(553)	**(6,204)**	(713)	**(6,917)**	388	**(6,529)**
Enterprise and Employment Employment activities for future years	**(1,247)**	(16)	**(1,263)**	686	**(577)**	89	**(488)**
Health & Community To support future Adult Social Care revenue budgets	**(2,753)**	(700)	**(3,453)**	1,250	**(2,203)**	1,634	**(569)**
Housing & Communities in Housing and Community Services	**-**	(750)	**(750)**	750	**-**	-	**-**
Transformation Fund To fund costs arising from future efficiency reviews	**(600)**	(869)	**(1,469)**	(955)	**(2,424)**	(4,008)	**(6,432)**
Highways Feasibility Costs To fund initial expenditure on new highways schemes	**(416)**	-	**(416)**	314	**(102)**	(862)	**(964)**
Public Health & Health To fund future Public Health activities	**(1,524)**	(1,220)	**(2,744)**	394	**(2,350)**	469	**(1,881)**
Fleet Replacement Rolling replacement programme for Council fleet vehicles	**(905)**	85	**(820)**	298	**(522)**	194	**(328)**
Pension Past Service Deficit To enable pension deficits to be funded as a lump sum, resulting in finance efficiencies	**(4,677)**	821	**(3,856)**	3,856	**-**	-	**-**

General Fund			Balance at 31st March 2022 £000	Movement (to)/from Reserve £000	Balance at 31st March 2023 £000	Movement (to)/from Reserve £000	Balance at 31st March 2024 £000
Education, Inclusion & Provision Education Grant Income held for a specific purpose but with no repayment conditions attached	**(639)**	(226)	**(865)**	278	**(587)**	31	**(556)**
Revenue Efficiencies To help fund budget gaps over the medium term	**(4,733)**	(2,896)	**(7,629)**	4,881	**(2,748)**	2,748	**-**
NNDR Pilot Scheme To fund No Detriment policy as part of the Liverpool City Region 100% business rate retention	**(5,321)**	3,246	**(2,075)**	2,075	**-**	-	**-**
Mersey Gateway Reserve To fund any potential surplus Mersey Gateway income to be paid to Department for Transport	**(9,629)**	(1,384)	**(11,013)**	(16)	**(11,029)**	6,894	**(4,135)**
Covid Grant Funding from DLUHC to cover the additional costs and fall in income associated to the Covid-19 pandemic	**(1,369)**	1,369	**-**	-	**-**	-	**-**
Government Grants RIA Grant income held for a specific purpose but with no repayment conditions attached	**(16,149)**	**11,393**	**(4,756)**	**4,756**	**-**	(579)	**(579)**
Covid-19 Contingency To fund additional costs in respect of the Covid-19 pandemic	**(2,000)**	2,000	**-**	-	**-**	-	**-**
Employment, Learning & Skills To fund Adult Education Schemes and Work Programmes	**-**	(1,642)	**(1,642)**	354	**(1,288)**	532	**(756)**
Local Authority Domestic Abuse Duty Grant Ringfenced grant funding for new Domestic Abuse Duties	**-**	(327)	**(327)**	(550)	**(877)**	(309)	**(1,186)**
Pay Inflation 2022/23 To fund potential additional costs from the pending 2022/23 pay award	**-**	(871)	**(871)**	871	**-**	-	**-**
Other Earmarked Reserves Total of reserves under £750k	**(5,679)**	(2,344)	**(8,026)**	2,734	**(5,291)**	2,197	**(3,094)**
TOTAL ALL RESERVES	**(74,067)**	**4,597**	**(69,473)**	**22,822**	**(46,650)**	**11,133**	**(35,517)**

In order to streamline the note, any reserves under £0.750m have been summarised as ‘Other Earmarked Reserves’ in the table above.

There was a significant movement on the Mersey Gateway earmarked reserve during 2023/24, which included the 85% share of the excess revenue payable to the Department for Transport following the five-year review during 2023/24, and a provision of £23.426m for payment due following the next three-year review in 2026/27. Further information can be found in Note 42.

37. Unusable Reserves

2022/23 £000		2023/24 £000
(136,275)	Revaluation Reserve	(152,745)
4,745	Pensions Reserve	4,505
(118,028)	Capital Adjustment Account	(120,210)
(11,090)	Deferred Capital Receipts	(10,551)
(3,023)	Collection Fund Adjustment Account	(2,958)
(4,869)	Financial Instruments Revaluation Reserve	(5,002)
2,926	Accumulated Absences Account	2,814
2,892	Dedicated Schools Grant Adjustment Account	5,349
1,132	Pooled Investment Fund Adjustment Account	1,478
(261,590)	**Total Unusable Reserves**	**(277,320)**

Revaluation Reserve

The revaluation reserve contains the gains and losses made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost.
- Used in the provision of services and the gains are consumed through depreciation.
- Disposed of, and the gains are realised.

The reserve contains only revaluation gains accumulated since 1st April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2022/23 £000		£000	2023/24 £000
(135,650)	**Balance at 1st April**		**(136,275)**
(9,324)	Upward revaluation of assets	(27,554)	
3,528	Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	3,885	
(5,796)	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus/(Deficit) on the Provision of Services**		**(23,669)**
4,492	Difference between fair value depreciation and historical cost deprecation	4,439	
-	Accumulated gain on academies transferred	2,688	
679	Accumulated gains on assets sold or scrapped	72	
5,171	Amount written off to the Capital Adjustment Account		**7,199**
(136,275)	**Balance at 31st March**		**(152,745)**

Capital Adjustment Account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption on non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance costs of acquisition, construction or enhancement.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that are yet to be consumed by the Council.

The account also contains revaluation gains accumulated on property, plant and equipment before 1st April 2007, the date the revaluation reserve was created to hold such gains.

2022/23 £000		£000	2023/24 £000
(111,364)	**Balance at 1st April**		**(118,028)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
26,513	Charges for depreciation and impairment of non-current assets	26,316	
807	Revaluation losses on Property, Plant and Equipment	(255)	
194	Amortisation of intangible assets	238	
7,936	Revenue expenditure funded from capital under statute	9,783	
-	Carrying value of Academies transferred	4,960	
854	Carrying amount of non-current assets sold	6,369	
36,304			**47,411**
(5,171)	Adjusting amounts written out of the Revaluation Reserve		(7,199)
31,133	**Net written out amount of the cost of non-current assets consumed in the year**		**40,212**
	Capital financing applied in the year:		
(1,470)	Use of the Capital Receipts Reserve to finance new capital expenditure	(3,238)	
(20,420)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(11,553)	
(5,332)	Application of grants to capital financing from the Capital Grants Unapplied Account	(8,103)	
(9,904)	Statutory provision for the financing of capital investment charged against the General Fund	(11,410)	
(526)	Use of Capital Receipts to reduce MRP liability	(7,744)	
(145)	Capital expenditure charged against the General Fund	(294)	
(37,797)			**(42,342)**
-	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement		(52)
(118,028)	**Balance at 31st March**		**(120,210)**

Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

Statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. IFRIC 14 restricts the value of any surplus on the pension fund to the amount that the employer has the right to receive as a refund at the end of the reporting period. Under the terms of the Local Government Pension Scheme, this value is zero. The asset ceiling adjustment shown in the table below removes the amount by which the pension asset attributable to the Council, exceeds the accrued pension liability. The debit balance on the Pension Reserve shows a shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them which relate to the Council's unfunded pension schemes. More details can be found in Note 32.

2022/23 £000		**£000**	**2023/24 £000**
91,207	**Balance at 1st April**		**4,745**
	Re-measurement of the net defined benefit liability comprising:		
(10,438)	Changes in demographic assumptions	(3,842)	
(302,110)	Changes in financial assumptions	(32,769)	
18,341	Other experience	18,311	
101,397	Asset Ceiling Adjustment	30,780	
86,611	Returns on assets excluding amounts included in net interest	(12,383)	
(106,199)			**97**
34,359	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement		16,098
(14,622)	Employers pensions contributions and direct payments to pensioners payable in the year		(16,435)
4,745	**Balance at 31st March**		**4,505**

Deferred Capital Receipts Reserve

Deferred Capital Receipts are amounts derived from the sale of assets, which will be received in instalments over an agreed period of time.

2022/23 £000		2023/24 £000
(232)	Castlefields Equity Advances	(232)
(6,142)	Sci-Tech Daresbury Lease	(5,872)
(4,716)	Venture Fields Lease	(4,447)
(11,090)		**(10,551)**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2022/23 £000		2023/24 £000
(11,616)	**Balance at 1st April**	**(11,090)**
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
526	Transfer to the Capital Receipts Reserve upon receipt of cash	539
(11,090)	**Balance at 31st March**	**(10,551)**

Collection Fund Adjustment

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2022/23 £000		2023/24 £000
2,984	**Balance at 1st April**	**(3,023)**
941	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected in the year in accordance with statutory requirements	1,161
(6,948)	Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income collected in the year in accordance with statutory requirements	(1,096)
(3,023)	**Balance at 31st March**	**(2,958)**

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost.
- Disposed of and the gains are realised.

2022/23 £000		2023/24 £000
(5,102)	**Balance at 1st April**	**(4,869)**
-	Upward revaluation of investments	-
233	Downward revaluation of investments	(133)
-	Change in impairment loss allowances	-
(4,869)		**(5,002)**
-	Accumulated gains or losses on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	**-**
-	Accumulated gains or losses on assets sold and maturing assets written out to the General Fund Balances for financial assets designated to Fair Value through Other Comprehensive Income	**-**
(4,869)	**Balance at 31st March**	**(5,002)**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance accruing from compensated absences earned but not yet taken in year, e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

2022/23 £000		2023/24 £000
3,017	**Balance at 1st April**	**2,926**
(3,017)	Settlement or cancellation of accrual made at the end of the preceding year	(2,926)
2,926	Amount accrued at the end of the current year	2,813
(91)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**(113)**
2,926	**Balance at 31st March**	**2,813**

Dedicated Schools Grant Adjustment Account

Statutory arrangements require that any school budget deficits must not be charged to the General Fund, and the deficit must be carried forward to be funded from future Dedicated Schools Grant Income. The deficit balance is held in the Dedicated Schools Grant Adjustment Account as shown below:

2022/23 £000		2023/24 £000
1,856	**Balance at 1st April**	**2,892**
1,036	Amount by which Dedicated Schools Grant is in deficit at 31st March	2,457
2,892	**Balance at 31st March**	**5,349**

Pooled investment funds adjustment account

Accounting regulations state that the fair value of movements in the value of pooled investment funds are shown in the Comprehensive Income and Expenditure Statement under Other Comprehensive Income and Expenditure, but should not impact the Council's General Fund balance. This reserve is a mechanism that is required by the capital finance and accounting regulations to hold the fair value movements in those pooled investment funds specified by the regulations.

2022/23 £000		2023/24 £000
-	**Balance at 1st April**	**1,132**
1,132	Fair value movements transferred to/from the General Fund in accordance with the statutory requirements	346
1,132	**Balance at 31st March**	**1,478**

38. Cash Flow Statement – Operating Activities

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements.

2022/23 £000		2023/24 £000
(26,513)	Depreciation	(26,316)
(807)	Impairment and downward valuation	255
(194)	Amortisation of intangible assets	(238)
-	Movement in market value of investment properties	52
(11,866)	(Increase)/decrease in impairment debtors	(12,711)
6,252	(Increase)/decrease in creditors and receipts in advance	(48,641)
23,891	Increase/(decrease) in debtors	19,597
12	Increase/(decrease) in inventories	(70)
(19,737)	Non-cash pension adjustments	337
4,867	Contributions (to)/from provisions	39,285
(854)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(6,369)
-	Loss on transfer to academies	(4,960)
(1,169)	Other non-cash adjustments	(2,634)
(26,118)	**Total non-cash movements**	**(42,413)**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2022/23 £000		2023/24 £000
24,233	Capital grants credited to the surplus or deficit on the provision of services	15,012
3,725	Proceeds from the sale of non-current assets	13,170
27,958	**Net cash flows from investing or financing activities**	**28,182**

The cash flows for operating activities include the following items:

2022/23 £000		2023/24 £000
(1,867)	Interest received	(5,760)
34,207	Interest paid	36,529
32,340		**30,769**

39. Cash Flow Statement – Investing Activities

2022/23 £000		2023/24 £000
19,689	Purchase of property, plant and equipment, investment property and intangible assets	32,221
41,000	Purchase of short-term and long-term investments	17,000
(3,812)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(13,262)
(70,000)	Proceeds from short-term and long-term investments	(60,000)
(15,427)	Other receipts from investing activities	(10,229)
(28,550)	**Net Cash flows from Investing Activities**	**(34,270)**

40. Cash Flow Statement – Financing Activities

2022/23 £000		2023/24 £000
(20,000)	Cash receipts of short-term and long-term borrowing	(50,000)
50	Agency treatment of Collection Fund balances	(8)
7,282	Cash payments from the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	7,803
5,000	Repayments of short-term and long-term borrowing	30,000
3,994	Net adjustment for agency treatment of government grants	-
(3,674)	**Net Cash flows from Financing Activities**	**(12,205)**

Reconciliation of Liabilities Arising from Financing Activities

	Note	31/03/2023 £000	Financing Cash Flows £000	Non-Cash Changes £000	31/03/2024 £000
Long-Term Borrowings	26	(172,000)	-	-	(172,000)
Short-Term Borrowing	26	(15,760)	(20,000)	(2,390)	(38,150)
On Balance Sheet PFI Liabilities	31	(353,347)	7,803	136	(345,408)
Net Cash flows from Financing Activities		**(541,107)**	**(12,197)**	**(2,254)**	**(555,558)**

41. Interest in Companies and Other Entities

The Council is involved with several companies over which it has varying degrees of control and influence. The Council is required to classify the entities according to whether they are subsidiaries, associates, or joint ventures.

Subsidiary

An entity is only a subsidiary if the Council has power over the entity, exposure, or rights, to variable returns from its involvement with the entity and ability to use its power over the entity to affect the amount of the Council's returns.

As at 31st March 2024 the following was a subsidiary of the Council:-

- Mersey Gateway Crossings Board Ltd - The principal activity of the company is to deliver the Mersey Gateway Bridge project, and to administer and oversee the construction and maintenance of the new tolled crossings, including the tolling of the existing Silver Jubilee Bridge. The Council holds 100% of the shares issued by the company. An amount of £500k is held as a long-term debtor on the Council's Balance Sheet; this is the amount which has been passed to Mersey Gateway Crossings Board Ltd as working capital.

In accordance with paragraph 9.1.1.7 of the Code, the subsidiary has not been consolidated into group accounts as they are not considered to be of material value.

Copies of the accounts for Mersey Gateway Crossings Board Ltd are available from Companies House.

Joint Ventures

These are arrangements under which two or more parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control, and joint parties have rights to the net assets of the arrangement.

As at 31st March 2024 the Council were party to the following joint venture:-

- Daresbury SIC (Pub Sec) LLP - The principal activity of the company during the year was to assist, promote, encourage, develop and secure the development of the International Science Park at Daresbury, Cheshire. Members of the partnership are Halton Borough Council and United Kingdom Research & Innovation.

In accordance with paragraph 9.1.1.7 of the Code, the Council's equity within the joint venture has not been consolidated into group accounts as it is not considered to be of material value.

Associates

Associates are entities for which the Council is an investor and has significant influence. The Council can have an associate relationship with an entity that is a joint venture under the control of other investors.

As at 31st March 2024 the Council had associate relationships with the following:-

- Daresbury SIC LLP- The principal activity of the LLP is the management and development of the Sci-Tech Daresbury Campus in the North West. Designated members of the partnership are Langtree Daresbury Ltd and Daresbury SIC (Pubsec) LLP, in which the Council is an equal partner. Amounts of £5.6m are held as a long-term debtor and £0.3m held as a short-term debtor on the Council's Balance Sheet. This relates to a long-term lease agreement between the Council and the company for a property asset based at the Sci-Tech Daresbury Campus.

In accordance with paragraph 9.1.1.7 of the Code, the Council's equity within the associate relationship has not been consolidated into group accounts as it is not considered to be of material value.

42. Transport Act 2000 – Mersey Gateway Crossing

The Mersey Gateway Bridge, which opened in October 2017, is a second crossing which spans the River Mersey and the Manchester Ship Canal and was built to ease congestion on the previous crossing, the Silver Jubilee Bridge.

The crossing was funded through a mixture of capital payments from Halton Borough Council, and a monthly unitary charge to Merseylink which covers the costs of construction and ongoing maintenance of the bridge for a period of 27 years (see Note 31 for further detail).

Since the opening of the Mersey Gateway, both crossings (Mersey Gateway and Silver Jubilee Bridge) have operated as toll crossings and the unitary charges and other running costs are funded from a mixture of toll income and Government Grant funded from the Department for Transport.

As part of the agreement with Department for Transport all funds relating to the Mersey Gateway must be accounted for separately and any surplus must be held in a separate reserve until all debt relating to the crossing, including unitary charge payments and the repayment of Council Borrowing specifically for the scheme, has been repaid.

During the year, a performance review of the Mersey Gateway project was undertaken by Mersey Gateway Crossing Board (MGCB) and the Department for Transport (DfT). This review covered the period October 2017 to March 2023 and future reviews will be undertaken every 3 years.

As part of the review an exercise was undertaken regarding the excess revenue share procedure. This identified that up to March 2023 the excess income from the project over and above project costs was £52.647m, £7.897m of which has been transferred to the Council, and £44.750 being payable to DfT.

Included within the below table is a figure of £68.176m being the excess share allocated to DfT. This figure has two elements, £44.750m agreed to be paid back to DfT on 1st August 2024 following the five-year review during 2023/24, and £23.426m provision for payment due following the next three-year review in 2026/27.

The income raised from, and charges relating to the crossings are shown in the table below, along with the year-end position on the Mersey Gateway Grant Reserve.

		2021/22			2022/23			2023/24		
		Charge to General Fund £000	**Accounting Adjustments £000**	**Income and Expenditure £000**	**Charge to General Fund £000**	**Accounting Adjustments £000**	**Income and Expenditure £000**	**Charge to General Fund £000**	**Accounting Adjustments £000**	**Income and Expenditure £000**
Income	Toll Income	(33,154)		(33,154)	(35,358)		(35,358)	(37,224)		(37,224)
	Penalty Charge Notices	(14,610)		(14,610)	(18,315)		(18,315)	(19,000)		(19,000)
	Registration Fees	(1,775)		(1,775)	(1,724)		(1,724)	(1,153)		(1,153)
	DfT Grant Income	(23,719)		(23,719)	(13,940)		(13,940)	(22,566)		(22,566)
	Other Income	(2)		(2)	(49)		(49)	(657)		(657)
		(73,260)	**-**	**(73,260)**	**(69,386)**	**-**	**(69,386)**	**(80,600)**	**-**	**(80,600)**
Expenditure	Unitary Charge Payments	38,442	(33,035)	5,407	39,411	(32,783)	6,628	41,241	(32,891)	8,350
	DMPA Fee	10,537		10,537	11,776	-	11,776	13,378	-	13,378
	MG Environmental Trust	309		309	313	-	313	227	-	227
	Bus Support	53		53	205	-	205	401	-	401
	Depreciation		8,026	8,026		8,028	8,028		8,029	8,029
	Interest Costs	5,173	(5,175)	(2)	5,290	(5,291)	(1)	5,648	(5,648)	-
	Bad Debt Provision	7,249		7,249	9,964	-	9,964	9,526	-	9,526
	DFT Grant Provision	7,848	-	7,848	91	-	91	(39,069)	-	(39,069)
	DFT Grant payble to DFT	-	-	-	-	-	-	44,750	-	44,750
	DFT Grant payable to HBC	-	-	-	-	-	-	7,897	(7,897)	-
	Other Costs	2,265	-	2,265	2,320	-	2,320	3,496	(827)	2,669
		71,876	**(30,184)**	**41,692**	**69,370**	**(30,046)**	**39,324**	**87,495**	**(39,234)**	**48,261**
Total		**(1,384)**	**(30,184)**	**(31,568)**	**(16)**	**(30,046)**	**(30,062)**	**6,895**	**(39,234)**	**(32,339)**

43. Prior Period Adjustment

Following a review of the accounting treatment of income and expenditure relating to the Mersey Gateway Bridge it has been decided that there will be some changes to the accounts.

Previously any surplus from the Mersey Gateway has been held as an Earmarked Reserve. As at each review point 85% of any surplus is payable to the Department for Transport, a provision has been set up for funds payable to DFT, thus reducing the Council's Earmarked Reserves.

As the accounting treatment will result in material adjustments to the accounts, a prior period adjustment has been made to the following statements, and the supporting notes.

- Balance Sheet 31st March 2022
- Balance Sheet 31st March 2023
- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement

	Previously Reported £000	Adjustment £000	Final Accounts £000
Balance Sheet - 31-03-2022			
Provisions >1 year	(4,867)	(62,403)	(67,270)
Usable Reserves	(162,640)	62,403	(100,237)
Balance Sheet - 31-03-2023			
Provisions < 1 year	(2,592)	(46,345)	(48,937)
Provisions > 1 year	(990)	(16,150)	(17,140)
Usable Reserves	(146,021)	62,495	(83,526)

For further details on the supporting notes please see:

- Note 27 – Provisions
- Note 33 – Financial Instruments
- Note 35 – Usable Reserves
- Note 36 – Transfer to/from Earmarked Reserves

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	Previously Reported £000	Adjustment £000	Final Accounts £000
CIES 2022/23			
Mersey Gateway Expenditure	39,233	91	39,324
Movement in Reserves Statement			
Total Comprehensive Income and Expendiure	31,459	91	31,550
Cash flow			
Net Deficit on Provision of Services	31,550	91	31,641
Adjustments to Net Deficit or non-cash movements	(26,027)	(91)	(26,118)

For further details on the supporting notes please see:

- Note 1 – Expenditure and Funding Statement
- Note 2 – Expenditure and Income
- Note 38 – Cashflow Operating Activities
- Note 42 – Transport Act 2000

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities and the Government in relation to council tax and non-domestic rates.

Collection Fund Statement

2022/23				2023/24		
Council Tax £000	Non Domestic Rates £000	Total £000		Council Tax £000	Non Domestic Rates £000	Total £000
			Income			
(71,962)		(71,962)	Council Tax	(75,731)		(75,731)
	(50,482)	(50,482)	Non Domestic Rates		(59,247)	(59,247)
	196	196	Transitional Protection Payment		(3,976)	(3,976)
(71,962)	**(50,286)**	**(122,248)**		**(75,731)**	**(63,223)**	**(138,954)**
			Expenditure			
			Precepts, Demands & Shares			
	-	-	Central Government		-	-
57,174	49,463	106,637	Halton Borough Council	60,714	57,330	118,044
8,436		8,436	Cheshire Police Authority	9,076		9,076
2,955	500	3,455	Cheshire Fire Service	3,170	579	3,749
681		681	Liverpool City Region	689		689
161		161	Parish Precept	166		166
			Apportionment of Previous Year's Surplus			
	-	-	Central Government		-	-
1,187	(2,172)	(985)	Halton Borough Council	1,172	1,933	3,105
172		172	Cheshire Police Authority	173		173
63	(22)	41	Cheshire Fire Service	61	20	81
14		14	Liverpool City Region	14		14
			Charges to Collection Fund			
247	312	559	Write-off Uncollectable Amounts	386	(1)	385
2,010	(841)	1,169	Increase / (Decrease) in Bad Debt Provision	1,822	1,228	3,050
	(4,724)	(4,724)	Increase / (Decrease) in Appeals Provision		26	26
	155	155	Cost of Collection		157	157
	-	-	Interest Payable		31	31
-		-	Council Tax Support Income	(306)		(306)
	599	599	Disregarded Amounts		814	814
73,100	**43,270**	**116,370**		**77,137**	**62,117**	**139,254**
(2,841)	**5,384**	**2,543**	**Balance Brought Forward**	**(1,703)**	**(1,632)**	**(3,335)**
1,138	**(7,016)**	**(5,878)**	**Movement on Fund Balance**	**1,406**	**(1,106)**	**300**
(1,703)	**(1,632)**	**(3,335)**	**Balance Carried Forward**	**(297)**	**(2,738)**	**(3,035)**

Further information on the Collection Fund balance as at 31st March 2024 can be found within the Narrative Report (Page 15).

Collection Fund Balance Sheet

2022/23					Council Tax	2023/24				
Halton BC	Cheshire P&CC	Cheshire Fire	LCR	Total		Halton BC	Cheshire P&CC	Cheshire Fire	LCR	Total
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
12,580	1,881	655	142	15,258	Arrears	14,296	2,137	745	161	17,339
(9,106)	(1,362)	(474)	(102)	(11,044)	Provision for Doubtful Debts	(10,609)	(1,586)	(553)	(119)	(12,867)
(756)	(113)	(39)	(9)	(917)	Overpayments / Prepayments	(809)	(121)	(42)	(9)	(981)
(1,405)	(208)	(73)	(17)	(1,703)	(Surplus)/Deficit	(244)	(37)	(13)	(3)	(297)
(1,313)	(198)	(69)	(14)	(1,594)	Cash	(2,634)	(393)	(137)	(30)	(3,194)
-	-	-	-	-		-	-	-	-	-

2022/23				Non-Domestic Rates	2023/24			
Central Gov	Halton BC	Cheshire Fire	Total		Central Gov	Halton BC	Cheshire Fire	Total
£000	£000	£000	£000		£000	£000	£000	£000
-	6,610	67	6,677	Arrears	-	8,135	82	8,217
-	(5,579)	(56)	(5,635)	Provision for Doubtful Debts	-	(6,793)	(69)	(6,862)
-	(1,977)	(20)	(1,997)	Appeals Provision	-	(2,003)	(20)	(2,023)
-	(452)	(5)	(457)	Overpayments / Prepayments	-	(480)	(5)	(485)
-	(1,616)	(16)	(1,632)	(Surplus)/Deficit	-	(2,711)	(27)	(2,738)
-	3,014	30	3,044	Cash	-	3,852	39	3,891
-	-	-	-		-	-	-	-

Notes to the Collection Fund

1. Introduction of the Council Tax

The property-based council tax was introduced on the 1st April 1993, replacing the personal liability Community Charge. The Council determined its Band D equivalent tax base for 2022/23 at 36,241 (2022/23 – 35,831)

2. The Council Tax Base Determination

Band	Properties	Ratio	Band D Equivalents
Disabled	68	5/9	38
A	17,860	6/9	11,907
B	9,921	7/9	7,716
C	7,192	8/9	6,393
D	4,655	9/9	4,655
E	3,552	11/9	4,341
F	1,164	13/9	1,681
G	327	15/9	545
H	29	18/9	58
Total	44,768		37,334
Reductions relating to Non-Collection and changes in assumptions			**(1,093)**
Tax Base set for 2023/24			**36,241**

The parishes' individual tax bases are shown below:

	2022/23	**2023/24**
Hale	664	668
Daresbury	186	186
Moore	333	336
Preston Brook	368	370
Halebank	526	528
Sandymoor	1,417	1,473

3. Precepting Authorities

Halton Borough Council has three precepting authorities; Cheshire Police & Crime Commissioner, Cheshire Fire Authority, and Liverpool City Region Combined Authority. The Band D charge and total precept are shown in the table below:

	2022/23 £	2023/24 £
Cheshire Police and Crime Commissioner		
- Band D Charge	235.44	250.44
- Precept	8,436,051	9,076,196
Cheshire Fire Authority		
- Band D Charge	82.48	87.48
- Precept	2,955,341	3,170,363
Liverpool City Region		
- Band D Charge	19.00	19.00
- Precept	680,789	688,579

4. Non-Domestic Rates

The non-domestic rate replaced locally fixed rates from 1st April 1990. The rateable value at 31st March and the business rate multiplier, which is fixed by the Government, are shown in the table below:

	2022/23 £	2023/24 £
Rateable value at 31st March	144,172,158	149,733,919
Non Domestic rating multiplier	51.2	51.2
Small Business Non Domestic rating multiplier	49.9	49.9

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, the Operational Director – Finance has that responsibility;

To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

To approve the Statement of Accounts.

The Operational Director – Finance Responsibilities

The Operational Director – Finance is responsible for the preparation of the Council's statement of accounts which, in terms of CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice"), is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year (ended 31st March 2024).

In preparing this Statement of Accounts, the Operational Director – Finance has:

Selected suitable accounting policies and then applied them consistently;

Adopted the principal of "True and Fair" regarding the Council's financial position;

Made judgements and estimates that were reasonable and prudent;

Complied with the Code of Practice.

The Operational Director – Finance has also:

Kept proper accounting records which were kept up to date;

Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that this Statement of Accounts presents a true and fair view of the financial position and income and expenditure of Halton Borough Council for the year ended 31st March 2024.

Signed by:

Director of Financial Services

Date: 20th November 2024

Statement of Accounting Policies

1. General

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year-ending 31st March 2024.

Halton Borough Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which is required to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice of Local Authority Accounting in the United Kingdom 2023/24 supported by International Financing Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Changes to the 2023/24 Accounting Policies

The Council's accounting policies are subject to regular review arising from changes in the way costs are accounted for and changes in the requirements of the Code of Practice. There have been no changes in the Council's accounting policies during 2023/24.

3. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

3(a) Revenue Recognition

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

3(b) Employee Costs

The full cost of employees is charged to the period which the employees worked. Accruals are made for pay awards awaiting settlement and for the cost of holiday entitlements and time off in lieu earned by employees but not taken before the year-end. To ensure that the actual costs to the Council falls in the year in which they are paid, a transfer is made to the Accumulated Absences Account.

3(c) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accrual basis at the earlier of when the Council can no longer withdraw the offer of those benefits, or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners, and any such amounts payable but unpaid at the year-end.

3(d) Interest

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

3(e) Supplies and Services

Supplies and services are accounted for in the period that they are consumed or received. Accruals are made for all material sums unpaid at year end for goods and services received or works completed. Where there is a gap between the date supplies are received and consumption, they are carried as inventories on the Balance Sheet.

3(f) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature within 3 months or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change of value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

3(g) Debtors and Creditors

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Known uncollectable debt is written off with a charge being made to the Bad Debt Provision.

4. Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence can only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised on the Balance Sheet but by way of notes to the accounts where it is probable that there will be an inflow of economic benefit or service potential.

5. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or Non-occurrence of uncertain future events not wholly within the control of the Council.

Contingent liabilities are not recognised on the Balance Sheet but disclosed by way of notes to the accounts.

6. The Collection Fund

The Council is required by statute to maintain a separate fund (i.e. The Collection Fund) for the collection and distribution of amounts due in respect of council tax and national non-domestic rates.

6(a) Council Tax Income

In its capacity as a billing authority the Council acts as an agent. It collects council tax income on behalf of the major preceptors (The Police and Crime Commissioner for Cheshire, Cheshire Fire & Rescue Service, and Liverpool City Region Combined Authority) and itself.

6(b) National Non-Domestic Rates (NNDR)

As part of the Business Rate Retention Pilot Scheme, the Council acts as an agent and collects national non-domestic rates on behalf Cheshire Fire & Rescue Service and itself.

6(c) Accounting for Council Tax and Non-Domestic Rates

While the council tax and non-domestic rates income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund. The amount credited to the General Fund under statute is the Council's demand for the year plus the Council's agreed share of the surplus (or less its share of the deficit) on the Collection Fund.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and non-domestic rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income & Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

7. Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and adverse, that occur between the end of the reporting period and the date when the Statement of Accounts are authorised for issue. Two types of events can be identified:

Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation are not reflected in the Statement of Accounts.

8. Financial Instruments

The Council invests and borrows money as part of its day to day business and Treasury Management Strategy. It is required to present on the Balance Sheet at fair value its outstanding financial obligations and assets in relation to these transactions. Assets exclude short term investments i.e. invested for periods of less than 3 months at inception and not due for repayment at the Balance Sheet date. These investments are treated as cash equivalents due to their liquid nature.

The Council uses Link Asset Services to provide independent valuations of the position at the period end.

Link Asset Services use the Net Present Value valuation technique to value borrowings. The discount rate used within the calculation is the Public Works Loans Board new borrowing rate.

8(a) Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. Financial liabilities due to be settled within 12 months of the Balance Sheet date, along with accrued interest on all financial liabilities, are recorded as a current liability.

8(b) Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and

- fair value through other comprehensive income (FVOCI)

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime expected credit loss basis. Only lifetime expected credit losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime expected credit loss basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.

- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

9. Fair Value

The Council measures some of its non-financial assets such as surplus assets and investment properties, and some of its financial instruments, such as equity shareholdings (other financial instruments as applicable), at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest or best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability

10. Government Grants, Other Contributions and Donated Assets

Whether paid on account, by instalments, or arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and

- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential are required to be consumed by the Council as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants or contributions for which conditions have not been satisfied are carried on the Balance Sheet as Receipts in Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund in the Movement in Reserves Statement from the Capital Adjustment Account. Where the grant is yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

11. Interest in Companies and Other Entities

The Council has an interest in subsidiaries, joint ventures and associated entities that would require it to prepare group accounts. As the transactions relating to group entities are not material, no group financial statements are being produced for the 2023/24 accounts.

The definition of materiality as per the Code of Practice on Local Authority Accounting is:

The relevance of information contained in the financial statements is affected by its nature and materiality. Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Therefore, materiality provides a threshold or cut-off point rather than a primary qualitative characteristic which information must have if it is to be useful. An authority need not comply with the Code, as to both disclosure and accounting principles, if the information is not material to the true and fair view of the financial statements and to the understanding of users.

In assessing the materiality of group entities an assessment has been undertaken of the following quantitative and qualitative factors:

Quantitative Factor

- The activities of group entities are not significant to the representation of the operational activities of the authority as a whole.
- Gross Value of the investments in gross entities are not significant in terms of the Balance Sheet of HBC.

- Gross Value of the borrowings or other liabilities of group entities are not significant to the Balance Sheet of HBC.
- An adjustment to usable reserves that would arise on consolidation would not be significant.

Qualitative Factor

- The authority does not depend significantly on group entities for continued provision of statutory services.
- There is no concern to which the Council has passed on control of its assets to other parties.
- There is no concern about the extent to which the Council is exposed to commercial risk.
- Not consolidating group entities does not mask significant trends.
- Grouping the accounts would not provide any more useful disclosures.

12. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined with reference to an active market. In practice, no intangible asset held by the Council meets these criteria, and they are therefore carried at amortised cost. The depreciable amount of any intangible asset is amortised over its useful live to the relevant service line in the Comprehensive Income and Expenditure Statement.

13. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

14. Leases

14(a) Finance Leases

Leases are classified as Finance Leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

14(b) Operating Leases

Operating leases are all leases which are not categorised as finance leases. Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

The accounting treatment for leases will change in 2024/25 due to the introduction of IFRS 16. More information can be found in Policy 27 - Accounting Standards that have been Issued but not yet Adopted.

15. Non-Current Assets, Property, Plant and Equipment

15(a) Recognition

Non-current assets are assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Expenditure on the acquisition, creation or enhancement of a non-current asset is capitalised on an accruals basis. Expenditure is only capitalised when it adds to or extends, and not merely maintains the value of an existing asset.

15(b) Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). Where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried on the Balance Sheet using the following measurement bases:

- Infrastructure, assets under construction and community assets are measured on the basis of depreciated historic cost.
- Surplus assets, investment properties and assets held for sale are based on their fair value, estimated at highest and best use from a market participant's perspective.
- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value.
- All other assets are measured at current value which is determined as the amount that would be paid for the asset in its existing use ("existing use value" – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. For non-property assets (e.g. vehicles, plant and equipment) that have short useful lives or low values (or both) depreciated historical cost basis is used as a proxy for current value.

Assets are subject to an annual impairment check. A proportion of the assets will be subject to revaluation each year to allow for the workload of revaluation to be more evenly spread and the Balance Sheet to be more accurate. Each asset will be revalued on a 3-year cycle.

All assets are subject to an annual review to ensure valuations have not materially changed in the years they are not valued and that the carrying value is not significantly different to their fair value.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Council operates a de-minimis level of £35,000 at acquisition, in respect of land and property, and a qualified valuer certifies the valuation. In respect of vehicles, plant and equipment, these are carried at depreciated historic cost subject to an initial recognition de-minimis of £5,000.

15(c) Impairment

Assets are assessed at year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, the carrying amount of the asset is written down first against the accumulated gains in the revaluation reserve.

Where there is no longer a balance in the revaluation reserve to consume the loss, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

When an impairment loss is reversed, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss and adjusted for depreciation that would have been charged if the loss had never been recognised.

15(d) Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered through the sale of a transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value at highest and best use, less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

To be classified as held for sale an asset must meet all of the following criteria:

- The asset (or disposal group) must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets (or disposal groups).
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated.

- The asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current value.
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Receipts from the disposal of property, plant and equipment assets greater than £10,000 are credited to the useable capital receipts reserve on an accruals basis. Lower amounts are treated as de-minimis and credited to the revenue account.

15(e) Depreciation

Depreciation is provided for on all property, plant and equipment assets with a finite useful life. The provision for depreciation is calculated by allocating the cost less any estimated residual value of the asset over its useful life. The useful lives of assets are estimated on a realistic basis and reviewed regularly, and where necessary revised.

The estimated useful lives of assets by class are as follows:

Buildings and Other Operational Properties	Up to 60 years
Existing Highway Infrastructure and Community Assets	15 Years
New Highway Infrastructure	25 Years
Mersey Gateway Crossing - In line with the policy on Componentisation (Para 16g), significant components are:	
• Structures (Main Crossing, Earthworks, Bridge Approaches)	120 Years
• Highways (incl. Street Lighting)	25 Years
• Other (Tolling, Landscaping, Signage)	30 Years
• General (Financing and Development Costs)	Split pro-rata across above elements
Vehicles, Plant and Equipment	3-10 Years
Intangible Assets	5-10 Years
Finance Leases – vehicles, plant and equipment	3-10 Years equal to length

Finance Leases – buildings	Up to 60 years

All assets are depreciated on a straight line basis, with depreciation commencing the year after acquisition. In exceptional circumstances, for example, if a particularly expensive asset is acquired with a short life expectancy, then a charge may be levied in the year of acquisition to ensure the charge to the service is more in line with the consumption of the asset.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

An exception to depreciation is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction); these are not depreciated.

15(f) Investment Property

Investment property is property (land or a building – or part of a building – or both) held solely to earn rentals or for capital appreciation or both, rather than for:

(a) Use in the production or supply of goods or services or for administrative purposes; or

(b) Sale in the ordinary course of operations.

Investment properties are initially measured at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain to the General Fund balance. Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are reversed out of the General Fund in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

15(g) Componentisation

The objective of component accounting is to follow proper accounting practice by ensuring that items of Property, Plant and Equipment are accurately and fairly included in the Balance Sheet and the Comprehensive Income and Expenditure Statement. Consumption of economic benefits should be properly reflected over the assets individual useful lives, through depreciation charges.

The overall value of an asset must be fairly apportioned over significant components, which need to be accounted for separately, with their useful lives and the method of depreciation being determined on a reasonable and consistent basis.

Having identified individual material assets or groups of similar assets with similar characteristics, each component part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the asset shall be depreciated separately.

Once individual material assets and asset groups have been identified, items of Property, Plant and Equipment will be categorised as follows based on their significance, useful life and depreciation method:

Component	**Detail**
Superstructure and substructure	Frame, upper floors, roof, stairs, external walls, external windows and doors, internal walls and partitions, internal doors
Internal Finishes and Fittings	Wall, floor, ceiling finishes, fittings and furnishings
Services	Sanitary appliances, services equipment, disposal installations, water installations, heat source, space heating and air conditioning, ventilating systems, electrical installations, fuel installations, fire and lightning protection, communication and security installations, builders' work in connection and management and commissioning of services
Land	Land upon which the property is constructed

The basis upon which the calculation of the value of components will be made is replacement cost. The actual split will be determined following individual valuation of the property.

Land is a separate component in its own right, but is not considered for depreciation purposes. Generally, land is considered to have an infinite life.

When an asset is enhanced or replaced, the cost of the replacement component is compared with the cost of the total asset. If the cost of the enhancement or replacement is above 15% or £35,000 of the overall cost of the asset, a proportion of the relevant component's carrying value is derecognised and replaced by the cost of the new replacement asset.

When an asset is acquired or revalued, the cost of its component parts will be broken down into Superstructure and Substructure, Internal Finishes and Fittings and Services. Land will be identified as a separate component in its own right.

15(h) Charges to Revenue for Non-Current Assets

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service

- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The Council does not raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, the Council is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund balance from the Capital Adjustment Account in the Movement in Reserves Statement known as the Minimum Revenue Provision (MRP).

15(i) Schools (Land & Buildings)

Section 20 of the Schools Standards and Framework Act 1998 established the following categories of maintained schools in England and Wales:

(a) Community Schools
(b) Foundation Schools
(c) Voluntary Schools comprising Voluntary Aided and Voluntary Controlled
(d) Community Special Schools, and
(e) Foundation Special Schools

In order to recognise a non-current school's asset on the Council's Balance Sheet, the Council has followed the recognition criteria of the Code and determined the extent to which the Council has control of the service potential associated with the school's assets.

The Council has concluded that a) Community Schools and d) Community Special Schools will form part of the Council's non-current assets.

For all other schools the Council is merely using the non-current asset under licence. A licence passes no interest in the non-current asset to the Council and is always revocable, therefore these schools will not form part of the Council's non-current assets.

15(j) Accounting for Schools Transferring to Academy Status

The accounting standards on group accounts and consolidation mean all types of school are now considered to be entities controlled by the Council. When a school transfers to academy status this control is transferred to a third party. As a result, the school as an entity needs to be derecognised in the Council's accounts by writing off the net assets of the school to the Comprehensive Income and Expenditure Statement.

15(k) Highway Network Infrastructure Assets

Highways network infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land, which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably.

Measurement

Highways network infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost - opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1st April 1994, which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives.

Annual depreciation is the depreciation amount allocated each year. Useful lives of the various parts of the highways network are shown below:

- Newly constructed carriageways, footways, cycle tracks – 25 years
- Repairs and maintenance of all highways assets – 15 years
- Mersey Gateway Bridge
    - Structures (main crossing, earthworks, bridge approaches) – 120 years
    - Highways (including street lighting) – 25 years
    - Other (tolling, landscaping, signage) – 30 years
    - General (financing and development costs) – split pro rata across elements above
- Street lighting and street furniture – 15 years

Disposals and derecognition

When a component of the network is disposed of or decommissioned, if material, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

From 2020/21 in accordance with the temporary relief by the update to the code on infrastructure assets, the accounts do not show the gross cost and accumulated depreciation for infrastructure assets, and shows the net position in a separate table to other Property, Plant and Equipment.

16. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply and service. The total absorption costing principal is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

17. Pension Costs

General

The cost of providing pensions for employees is charged in accordance with the requirements of IAS19 Retirement Benefits subject to the interpretation set out in the Code governing the pension schemes. The Council pays an employer's contribution to the Cheshire Pension Fund; Teachers' Pension Agency and the National Health Service Pension Scheme.

Pensions Reserve

Where there is a difference between the amount charged to the Comprehensive Income and Expenditure Statement in the year and the amount payable to the pension funds, that sum is taken to the Pension Reserve. This additional debit or credit to the services is shown as a reconciling item in the Movement in Reserves Statement within the Adjustments between Accounting Basis and Funding Basis under regulations note.

Classification of Schemes

Defined Benefit Schemes

Accounting policies set out as below apply in respect of pension costs arising from the Local Government Pension Scheme and unfunded discretionary benefits paid:

(i) The liabilities of the Cheshire Pension Fund and unfunded liabilities of the Teachers' Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

(ii) Liabilities are discounted to their value at current prices, using the relevant discount rate.

(iii) The assets of Cheshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

a. Quoted securities – current bid price
b. Unquoted securities – professional estimate
c. Unitised securities – current bid price

d. Property – market value

(iv) The change in the net pensions liabilities is analysed into the following components:

a. Service cost comprising:
   i. Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement of the services for which the employees worked
   ii. Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of services earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
   iii. Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of the contribution and benefit payments.
b. Re-measurements comprising:
   i. The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
   ii. Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
c. Contribution paid to Pension Funds – cash paid as employer's contributions to the pension fund in settlement of liabilities: not accounted for as an expense.

(v) In relation to retirement benefits, statutory provision requires the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensions in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather that as benefits are earned by employees.

Defined Contribution Schemes

The arrangements for the Teachers' Pension Scheme and the NHS Pension Scheme mean that liabilities for these benefits cannot ordinarily be specified by the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments or benefits is recognised on the Balance Sheet. The relevant service line in the Comprehensive Income and Expenditure Statement is charged with the Council's contributions payable to Teachers' Pensions and NHS Pension Scheme in the year.

Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

18. Pooled Budgets

Under Section 75 of the Health Act, the Council is able to establish joint working arrangements with NHS bodies and other Councils to pool funds from both organisations to create a single pot. Where pooled budgets are established, the Council's accounts reflect only the Council's share of the overall pot and exclude the share attributable to partner organisations.

19. Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policy are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of its transactions, other events and conditions on the financial position or performance. When a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

20. Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. Provisions are created by a charge to a service and as such appear in the Comprehensive Income and Expenditure Statement in the Cost of Services in the year the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking account of risks and uncertainties. Where it becomes apparent that a lower settlement is anticipated than first thought, the provision is reversed and credited back to the relevant service.

When payments are eventually made, they are charged to the provision carried on the Balance Sheet.

21. Repurchase of Borrowing

Gains or losses arising on the repurchase or early settlement are charged in the Comprehensive Income and Expenditure Statement in the period during which the repurchase is made. If the repurchase was coupled with refinancing or restructuring, gains or losses are charged over the life of the replacement loan.

22. Reserves

The Council sets aside specific amounts as reserves for future policy purposes to cover contingencies. Reserves are created by apportioning amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from the reserve is incurred, it is charged to the apportionment service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

The reserve is then appropriated back in the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

The Council maintains two kinds of reserve, Usable and Unusable Reserves.

Usable reserves comprise:

Capital Receipts Reserve
General Fund Balance
Schools Balances
Earmarked Reserves
Capital Grants Unapplied
Earmarked Schools Budget Reserve

Unusable reserves comprise:

Revaluation Reserve
Capital Adjustment Account
Financial Instruments Revaluation Reserve
Pensions Reserve
Collection Fund Adjustment Account
Deferred Capital Receipts Reserve
Accumulated Absences Account
Dedicated Schools Grant Adjustment Account
Pooled Investment Fund Adjustment Account

Usable reserves are available to fund expenditure, either revenue or capital, incurred by the Council. Unusable reserves are not available to fund expenditure since they do not represent new resources available to the Council.

23. Revenue Expenditure Funded from Capital under Statute

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the creation on a non-current asset on the Balance Sheet. Such expenditure is charged to the appropriate service account within the Comprehensive Income and Expenditure Statement in accordance with the provisions of the Code.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses the amounts charged so that there is no impact on the council tax.

24. Senior Officers

The Council is required to disclose senior officers who are paid a salary of more than £150,000 by name and job title. The requirement also extends to those officers whose salary is more than £50,000 and have a statutory role defined by legislation or are responsible for directing and controlling the day-to-day operations of the Council; disclosure is restricted to job title.

25. Service Concessions

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are re-valued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- Life cycle replacement costs – where material, a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

26. Heritage Assets

Where applicable, heritage assets are measured at insurance valuation on the Balance Sheet.

Unlike other non-current assets depreciation is not required on heritage assets which have infinite useful lives. Similarly, impairment reviews are only required in limited circumstances, for example if a heritage asset has suffered breakage or physical deterioration.

27. Accounting Standards that have been Issued but not yet Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by new accounting standards which have been issued at the balance sheet date but which will not apply to local authorities' accounts until subsequent financial years.

The standards introduced by the 2024/25 Code where disclosures are required in the 2023/24 financial statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code, are:

(i) IFRS 16 Leases issued in January 2016 (but only for those local authorities that have not decided to voluntarily implement IFRS 16 in the 2023/24 year).
(ii) Classification of Liabilities as Current or Non-Current (Amendments to IAS 1).
(iii) Lease Liability in Sale and Leaseback (Amendments to IFRS 16).
(iv) Non-Current Liabilities with Covenants (Amendments to IFRS 16).
(v) International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12)
(vi) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).

With the exception of IFRS 16 Leases, these amendments are not expected to have a material impact on the Council's Statement of Accounts.

27(a) IFRS 16 Leases

IFRS 16 removes the traditional distinction between finance leases and operating leases for lessors. Under finance lease arrangements, assets are recognised on the Balance Sheet, alongside the corresponding lease liability. In contrast, operating lease payments have previously been treated as an in-year expense, with no asset or liability accounted for on the Balance Sheet. Under IFRS 16, all leases where the Council is the lessor above a de-minimis amount will require an asset and corresponding liability to be recognised on the Balance Sheet. It is not anticipated that this will materially impact on the Council's financial statements.

Under the existing accounting standard, IAS 17, finance lease liabilities are not remeasured when indexation is applied to the value of payments. Under IFRS 16, where indexation impacts on future payments, the lease liability will need to be remeasured, along with the value of the corresponding right-of-use asset. The full impact of the adoption of IFRS 16 on the Council's PFI liabilities cannot be determined at 31st March 2024, but it is not anticipated that there will be any impact on the Council's General Fund from this change.

28. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in above, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. These judgements are not considered material for 2023/24.

29. Assumptions Made about the Future and other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made by taking into account historical experience, current trends and other relevant factors. However, because some balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31st March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

29(a) Property, Plant and Equipment

The carrying amount in the Balance Sheet at the 31st March 2024 is £874.4m, of which £424.6m relates to the Unitary Charge element of the Mersey Gateway Crossing.

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its spending on repairs and maintenance, bringing into doubt the useful lives of those assets. Ongoing maintenance for the Mersey Gateway Crossing is covered by unitary payments and therefore has no impact on the Council's on-going repairs and maintenance spending.

If the useful life of Buildings included in Property, Plant and Equipment is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings could increase between 10%-15% equating to an additional £0.637m to £0.956m for every year that useful lives had been reduced.

29(b) Pensions Liability / Asset

The carrying amount in the Balance Sheet at the 31st March 2024 is a liability of £4.506m.

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Hymans Robertson LLP is engaged on behalf of the Council by Cheshire West and Chester Council to provide expert advice about the assumptions to be applied.

An estimate of the impact of any changes to the principal assumptions provided by the actuary are shown in the Note 32.

30 Going Concern

The statement of accounts has been prepared on an assumption that the Council will continue in operational existence for the foreseeable future. This a requirement of the Code, which reflects the fact that since the management of a statutory local authority does not have the power to cease operations and wind up the entity, a statutory local authority will always be a going concern as defined by IAS1 (Presentation of Financial Statements).

Glossary of Terms

For the purposes of the Code of Practice the following definitions have been adopted:

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Accounting Policies

Those principals, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

(a) Recognising;
(b) Selecting and measuring bases for; and
(c) Presenting.

Assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the Income and Expenditure account or Balance Sheet it is to be presented.

Acquired Operations

Operations comprise services and divisions of service as defined in SeRCOP. Acquired operations are those operations of the Council that are acquired in the period.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

(a) Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or

(b) The actuarial assumptions have changed.

Capital Expenditure

Expenditure on the acquisition of a non-current asset or expenditure which adds to and not merely maintains the value of an existing non-current asset.

Class of Non-Current Assets

The classes of non-current assets required to be included in the accounting statements are:

Property, Plant and Equipment:

- Other land and buildings
- Vehicles, plant, furniture and equipment
- Infrastructure assets
- Community assets
- Assets under construction
- Surplus assets

Other classes of assets:

- Investment properties
- Assets held for sale
- Heritage assets

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

Constructive Obligation

An obligation that derives from a Council's actions where:

(a) By an established pattern of past practice, published policies or a sufficiently specific current statement, the Council has indicated to other parties that it will accept certain responsibilities; and
(b) As a result, the Council has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Local Authority's control.

Contribution

A contribution may be received from a partner to help perform a particular function (i.e. PCT and third sector in health/education, S106 developers etc…)

Contingent Liability

A contingent liability is either:

(a) A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
(b) A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which Local Authorities engage in specifically because they are elected multi-purpose Authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no basis for apportioning these costs over or across services.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

(a) Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and
(b) Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Deferred Charges

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. Examples of deferred charges are expenditure on items such as improvement grants and the expenses of private acts.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme

A pension, or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount, or as percentage of pay, and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

The measure of cost or revalued amount of the benefits of the non-current asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a non-current asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods or services produced by the asset.

Discontinued Operations

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met:

(a) The termination of the operation is completed either in the period before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
(b) The activities related to the operation have ceased permanently;
(c) The termination of the operation has a material effect on the nature and focus of the Local Authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service or division of service, or its provision in a specific geographical area) or from a material reduction in net expenditure in the Local Authority's continuing operations;
(d) The assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying all the conditions are classified as continuing.

Discretionary Benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award which are awarded under the Council's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

Estimation Techniques

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

(a) Methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible non-current asset consumed in a period.
(b) Different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

Events after the Balance Sheet Date

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts.

Exit Packages

Exit packages are defined as amounts payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. Exit packages also include enhancement of retirement benefits, when an employee retires early without actuarial reduction of pension.

Expected Rate of Return on Pensions Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase of use of the asset.

Finance Lease

A finance lease is one where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. A lease would be classified as a finance lease if:

- The lease transfers ownership of the asset to the lessee by the end of the lease term.
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised.
- The lease term is for the major part of the economic life of the asset.
- The present value of minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

Notwithstanding the fact that the lease meets the definitions above, the presumption that an asset should be classified as a finance lease may in exceptional circumstances be rebutted if it can be clearly demonstrated that the lease in question does not transfer substantially all the risks and rewards of ownership (other than legal title) to the lessee.

Going Concern

The concept that the Council will remain in operational existence for the foreseeable future, in particular that the Income and Expenditure Account and Balance Sheet assume no intention to curtail significantly the scale of the operations.

Government Grants

Assistance by Government and Inter-Government Agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to a Council in return for past or future compliance with certain conditions relating to the activities of the Council.

Heritage Assets

Heritage Assets are assets that have historical, artistic, scientific, technological, geophysical or environmental qualities. Examples of heritage assets held by the Council include civic regalia, paintings and artefacts.

Impairment

A reduction in the value of a non-current asset below its carrying amount on the Balance Sheet.

Infrastructure Assets

Non-current assets that are inalienable, expenditure on which is recoverable only by continued use if the asset created. Examples of infrastructure assets are highways and footpaths.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period of present value of the scheme liabilities because the benefits are one period closer to settlement.

Inventories

The amount of unused or unconsumed stocks held in expectation of future use, comprising the following categories:

(a) goods or other assets purchased for re-sale;
(b) consumable stores;
(c) raw materials and components purchased for incorporation into products for sale;
(d) products and services in intermediate stages of completion;
(e) long-term contract balances; and
(f) finished goods.

Investments (Non-Pensions Fund)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be classified only where an intention to hold the investment for the long-term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.

Investments (Pensions Fund)

The investments of the Pensions Fund will be accounted for in the statements of that Fund. However, councils are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

Investment Properties

Interest in land and/or buildings:

(a) In respect of which construction work and development have been completed; and
(b) Which is held for its investment potential, and rental income being negotiated at arm's length.

Liquid Resources

Current asset investments that are readily disposable by the Council without disrupting its business and are either readily convertible to known amounts of cash or close to the carrying amount, or traded in an active market.

Long-Term Contracts

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

Net Book Value

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Debt

The Council's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than debt.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in case of non-operational assets), less the expenses to be incurred in realising the asset.

Operating Lease

A lease other than a finance lease.

Past Service Cost

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.

Prior Period Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Projected Unit Method

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefit valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

(a) The benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
(b) The accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

Related Parties

Two or more parties are related parties when at any time during the financial period:

(a) A party has direct or indirect control of the other party; or
(b) The parties are subject to common control from the same source; or
(c) One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
(d) The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

Examples of related parties of a Council include:

(a) Central government;
(b) Local authorities and other bodies precepting or levying demands on the council tax;
(c) Its subsidiary and associated companies;
(d) Its joint ventures and joint ventures partners;
(e) Its members
(f) Its chief officers; and
(g) Its pension fund.

Examples of related parties of a pension fund include its:

(a) Administering authority and its related parties
(b) Scheduled bodies and their related parties; and
(c) Trustees and advisors

This list is not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

(a) Members of the close family, or the same household; and

(b) Partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

(a) The purchase, sale, lease rental or hire of assets between related parties;
(b) The provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
(c) The provision of a guarantee to a third party in relation to a liability or obligation of a related party;
(d) The provision of services to a related party, including the provision of pension fund administration services;
(e) Transactions with individuals who are related parties of the Council or a pension fund, except those applicable to other members of the community or the pension fund, such as council tax, rents and repayments of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the Council, but also in relation to its related party.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances and the money value of any other benefits received other than in cash. Pension contributions payable by the employee are excluded.

Residual Value

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of acquisition (or revaluation) of the asset and do not take account of expected future prices.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date, or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Settlement

An irrevocable action that relieves the employee (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

(a) A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
(b) The purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
(c) The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

Total Cost

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

Useful Life

The period over which the Council will derive benefits from the use of a non-current asset.

Vested Rights

In relation to a defined benefit scheme, these are:

(a) For active members, benefits to which they would unconditionally be entitled on leaving the scheme;
(b) For deferred pensioners, their preserved benefits;
(c) For pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.

Grant Thornton

The Audit Findings (ISA260) Report for Halton Borough Council

Year ended 31 March 2024

6 November 2024

Grant Thornton

Halton Borough Council
Heath Road
Runcorn
Cheshire
WA7 5TN

6 November 2024

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Dear Members of the Audit and Governance Board,

Audit Findings for Halton Borough Council for the year ending 31 March 2024

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and will be presented to the November Audit and Governance Board.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

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 expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Michael Green

Director
For Grant Thornton UK LLP

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Your key Grant Thornton team members are:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Halton Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed remotely during July – September as planned. Our findings are summarised on pages 7 to 25. We have identified three adjustments to the financial statements that have resulted in a £62.5m adjustment to the Council's Comprehensive Income and Expenditure Statement in respect of a prior period adjustment to reflect the Mersey Gateway Provision in earlier periods, a £14.1m adjustment in respect of assets not revalued in the year and a £5.5m adjustment to reclassify assets held for sale to surplus assets. These have no overall impact on the level of the Council's useable reserves.

Audit adjustments are detailed at Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out at Appendix B. Our follow up of recommendations from the prior year's audit are detailed at Appendix C.

Our work is complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;

- Pensions - we are awaiting the final IAS19 assurances from the auditor of Cheshire pension fund.;
- finalisation of our work on school bank accounts;
- receipt of the signed management representation letter (see appendix F); and
- receipt of the signed financial statements.

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unmodified. We anticipate signing your accounts following the Audit & Governance Board on 20 November 2024.

1. Headlines

Value for Money (VFM) arrangements	
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 in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	Our work on the Council's value for money (VFM) arrangements is reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We have completed our VFM work and our detailed commentary is set out in the separate Interim Auditor's Annual Report, which is presented alongside this report. We identified significant weaknesses in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (Section 3).

Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We issued two statutory recommendations in respect of Financial Sustainability due to the financial pressures currently being faced. We have completed the majority of work under the Code and intend to certify the completion of the audit following the Audit & Governance Board on 20 November 2024.
Significant matters	During the audit, we became aware of the worsening financial position of the Council during 2024/25. We wrote to the Chief Executive in August 2024 to express our concerns in this area.

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1. Headlines

National context – audit backlog

Government proposals around the backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament Written statements - Written questions, answers and statements - UK Parliament This confirm the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024.

The government has set out its intention that from 2023/24, auditors should work with local authorities to begin the process of recovery. A backstop date for 2023/24 has been proposed of 28 February 2025, and a date for 2024/25 audits of 27 February 2026.

The Council's 2022/23 accounts were signed on 27 March 2024 and as noted previously we are intending to sign the 2023/24 accounts in November, well in advance of the 2023/24 backstop deadline of 28 February 2025. We will continue to work with officers to deliver the audit within the timetables set by government.

National context – level of borrowing

All Councils continue to operate in an increasingly challenging financial context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums in excess of their revenue budgets to finance these investment schemes. Additionally, we have also seen some authorities lending money to their subsidiary companies, which may not be in a position to repay those loans.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. Although we have not noted issues with this at Halton, section 3 describes the significant weaknesses we have identified in the Council's arrangements in respect of Financial Sustainability, Governance and Improving Economy, Efficiency and Effectiveness.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be presented at the Audit and Governance Board on 25 September 2024.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and, subject to outstanding items being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Board meeting on 20 November 2024. These outstanding items are on page 4.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

As highlighted on page 6 during the course of the audit we faced audit challenges in respect of the Council's financial position and the sudden decline in performance during 2024/25. This resulted in us having to carry out additional procedures in our Value for Money work, as summarised on in section 3 and issuing statutory recommendations.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised the performance materiality percentage to reflect the increased risk due to the Council's draft accounts having gross expenditure over £500m. This means it is classed as a major audit under the Local Audit Regulations, which means our materiality percentage is capped at 1.5% rather than 2%.

We set out in this table opposite our determination of materiality for Halton Borough Council.

	Council Amount (£'000)	Qualitative factors considered
Materiality for the financial statements	8,653	Financial performance of the Council, focussing on the expenditure.
Performance materiality	6,489	Quality of working papers in prior year with few misstatements identified in previous years and Authority response to audit processes and adjusted for our assessment of the control environment
Trivial matters	432	The amount below which matters would be considered trivial to the reader of the accounts.
Materiality for Senior Officer remuneration	37	Materiality is reduced for remuneration disclosures due to the sensitive nature and public interest. Related parties adjustments are considered on a case-by-case basis as to whether it is material to either party

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2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • made enquiries of finance staff regarding their knowledge of potential instances of management override of controls • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determine the criteria for selecting high risk unusual journals and those falling into certain criteria determined by the audit team • tested a sample of journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness regarding corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. In performing the procedures above, we identified a population of journals to test using data analytic software to analyse journal entries and to split large batch journals into smaller sets of transactions that support targeted testing based on specific risk criteria assessed by the audit team. These criteria included: • Post year-end journals • Material journals across the year • Year-end journals • Journals posted by senior management • Off ledger adjustments Application of these routines and supplementary procedures identified a total sample of 38 journals to test. Our audit work is complete and has not identified any issues in respect of management override of controls, however we have repeated a prior year recommendation in respect of journal authorisation – see Action plan at Appendix B.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
ISA 240 Revenue recognition risk ISA (UK) 240 includes a rebuttable presumed risk that revenue recognition may be misstated due to the improper recognition. This presumption can be rebutted if the auditor concludes there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because: • there is little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Halton Council, mean that all forms of fraud are seen as unacceptable Although the risk of fraud is rebutted, we recognise the risk of error in revenue recognition, and this is addressed through the responses to risk detailed across.	The revenue and expenditure recognition risks have been rebutted. Despite revenue recognition not being a significant risk, we will still undertake the following procedures to ensure that revenue included within the accounts is materially correct: • evaluate the Council's accounting policy for income and expenditure recognition for appropriateness and compliance with the Code • update our understanding of the Council's system for accounting for income and expenditure and evaluating the design of relevant controls • undertake detailed substantive testing on the income and expenditure streams in 2023/24, including sample testing of material revenue and expenditure transactions • review the accounting treatment of all new income and expenditure streams to confirm that they have been accounted for appropriately in line with the Code and accounting standards. Our substantive income testing is complete and has not identified any errors that we are required to bring to your attention.
ISA 240 Expenditure recognition risk In the public sector, whilst it is not a presumed significant risk, in line with the requirements of Practice Note (PN) 10: Audit of financial statements of public sector bodies in the United Kingdom - we also consider the risk of whether expenditure may be misstated due to the improper recognition of expenditure. This risk is rebuttable if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition. Based on our assessment we consider that we can rebut the significant risk in relation to expenditure.	We have rebutted the risk of fraud in expenditure recognition Despite expenditure recognition not being a significant risk, we will still undertake the following procedures to ensure that expenditure included within the accounts is materially correct: • evaluate the Council's accounting policy for expenditure recognition for appropriateness and compliance with the Code • update our understanding of the Council's system for accounting for expenditure and evaluating the design of relevant controls • undertake detailed substantive testing on the expenditure streams in 2023-24, including sample testing of material expenditure transactions • review the accounting treatment of all new expenditure streams to confirm that they have been accounted for appropriately in line with the Code and accounting standards Our substantive expenditure testing is complete and has not identified any errors that we are required to bring to your attention.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Closing Valuation of land and buildings The Council revalues its property assets on a rolling basis. Revaluations are shared between the Council's Internal Valuer and an external valuation expert, Sanderson Weatherall. These valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved (£200 million of land and buildings at 31 March 2024) and the sensitivity of this estimate to changes in key assumptions. Additionally for land and buildings, management will need to ensure the carrying value in the financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used. We therefore identified the valuation of land and buildings as a significant risk for the Council.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written out to them and discuss with the valuer the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engaged our own valuer to assess the instructions to the Council's valuer, the Council's valuation report and the assumptions that underpin the valuation • evaluated the valuer's report to identify assets that have large and unusual changes and/or approaches to the valuation – these assets will be substantively tested to ensure the valuations re reasonable • tested a selection of other asset revaluations made during the year to ensure they had been input accurately into the Council's asset register, revaluation reserve and Statement of Comprehensive Income and Expenditure • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end • for all assets not formally revalued, evaluate the judgement made by management or others in the determination of current value of these assets. <u>Results</u> Our work on valuations of land and buildings is complete and has identified some issues as noted below: The valuer's desktop valuation of assets not formally revalued identified an understatement of the Council's assets of £13.9m. This has been adjusted by the Council, as shown in Appendix D along with some other adjustments giving an overall adjustment of £14.2m. We have also noted in Appendix C how we raised a recommendation about the process for assets not revalued in the year causing an issue during the 2022/23 audit and receiving the information about this adjustment in mid-September indicates further improvements needs to be made. We have also identified three unadjusted errors as noted in Appendix D: • A £553k adjustment for a revaluation that was entered in error • The Council processed a c£670k downward revaluation of Dundalk Road Changing Rooms/Bowls Pavilion. This was a result of the valuer not valuing part of the asset. Hence, it is not possible to quantify the exact value of the error as the asset has not been fully revalued at 31/03/2024, but we have assumed in Appendix D the understatement is £670k • A £930k decrease in valuation where the floor plans used by the valuer had not been updated to reflect the disposal of some of the building.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Valuation of the Pension Fund Net Liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£579 million liabilities at 31 March 2024 and £711 million of assets) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Council's pension fund net liability as a significant risk of material misstatement.
The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework. However, for the first time since IFRS have been adopted the council has had to consider the potential impact of IFRIC 14 - IAS 19 -the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.

A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

Commentary

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- obtained assurances from the auditor of the Cheshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

<u>Results</u>

Our review of the processes and controls in respect of pensions and the instructions issued by management identified no issues, nor did our assessment of the competence, capability and objectivity of the actuary. We also confirmed the accuracy and completeness of the information provided by the Council to estimate the liability.

We challenged the actuary's assumptions and used our auditor's expert (PWC) to provide expert input on the assumptions that had been used. Page 14 provides a detailed assessment of the estimation process for the valuation of the pension fund net liability

Our audit work is complete but has not identified any issues in respect of valuation of the pension fund liability for the Council.

As noted on page 4. we are still awaiting the final IAS19 assurances from the auditor of Cheshire pension fund auditor before we can formally conclude, though we are satisfied there is unlikely to be any material matters arising from work performed by the pension fund auditor.

2. Financial Statements - Observations in respect of other risks (continued)

This section provides commentary on other issues and risks we communicated in the Audit Plan.

Issue	Commentary	
Accounting for Mersey Gateway Bridge as well as the associated Private Finance Initiative (PFI) liability	The Mersey Gateway Bridge PFI scheme is large and high profile to the residents of the borough. During the year a performance review of the Mersey Gateway project was undertaken by Mersey Gateway Crossing Board (MGCB) and the Department for Transport (DfT). As part of the review an exercise was undertaken regarding the excess revenue share procedure, which identified the amounts being repayable to DfT. In addition, PFI schemes are complex and involve a degree of subjectivity in the measurement of financial information. We therefore identified the accounting for the Mersey Gateway bridge and the accuracy and presentation of the Mersey Gateway Bridge PFI scheme as a risk for the audit.	**Auditor view** We agree with the principles of how the Council has accounted for the amounts payable to DfT, however as the review point was for the 5 years up to 31 March 2023 rather than relating to the 2023/24 year, we believe this should have been accounted for in previous periods and given the material nature of the amounts should therefore be shown as a Prior Period Adjustment. The Council has updated the accounts to reflect this and we are reviewing the updated disclosure. This led to a £62.5m reduction in the Council's Comprehensive Income and Expenditure Statement and is noted in Appendix D. This has no overall impact on the level of the Council's useable reserves. No issues identified from our review of the PFI liability. **Management response** The accounts have been updated to reflect the prior period adjustment.

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2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £200m	Land and buildings had a net book value of £200 million. The Council revalues its property assets on a rolling basis. Revaluations are shared between the Council's Internal Valuer and an external valuation expert, Sanderson Weatherall. Management complete an annual desktop review of the assets not due to be revalued during the year, considering factors such as changes to building cost indices since the asset's last revaluation, and the impact of market changes evidenced by revaluations in year for similar assets and this is reviewed by management's expert. For 2023/24 the review highlighted that there was a material difference between the carrying value and the desktop valuations of non-revalued assets. Consequently, the values of such assets have been updated to reflect the updated values at the end of 2023/24 to ensure their values are materially correct. Management's assessment is that the potential difference in the value of the remaining assets not formally revalued during 2023/24 is not material. The total year end valuation of land and buildings was £200m, a net decrease of £1 from 2022/23 (£201m).	The Council's accounting policy on valuation of land and buildings is included in the Accounting Policies note of the financial statements. We have: • assessed the Council's in-house valuer to be competent, capable and objective • carried out completeness and accuracy testing of the underlying information provided to the valuers used to determine the estimate including floor areas where appropriate. • reviewed management's assessment of assets not valued in the year against the Gerald Eve report and concluded that their assessment is reasonable and that assets not valued in the year are not materially misstated. • agreed valuation reports to the Fixed Asset Register and to the Statement of Accounts. • engaged our own valuation expert to assess the work of the Council's valuer, compliance with RICS requirements and management's assessment of assets not revalued in year. Our expert was able to confirm that the Council's approach was reasonable and in line with those adopted by other Valuers and that the valuations were reasonable. As noted on page 11 our work is complete however the assessment of assets not revalued during 2023/24 has led to a £14.2m adjustment to increase the asset carrying values and there are three unadjusted misstatements as detailed in Appendix D.	● Green

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Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £4.5m IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.	The Council's initial draft net pension liability at 31 March 2024 was £4.5m (PY £4.7m) comprising the Cheshire Local Government defined benefit pension scheme and unfunded defined benefit pension scheme obligations. The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £18.3m net actuarial gain during 2023/24.	Our work on the Council's net pension liability is substantially complete. We have: • assessed management's expert to be competent, capable and objective. • assessed actuary's approach taken, detail work undertaken to confirm reasonableness of approach • used PwC as auditors expert to assess actuary and assumptions made by the actuary as outlined in the table below:	Green

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.85%	4.80-4.85%	●
Pension increase rate	2.75%	2.75-2.80%	●
Salary growth	3.45%	2.75-3.75%	●
Life expectancy – Males currently aged 65	20.8 years	PwC confirmed that assumptions are acceptable	●
Life expectancy – Females currently aged 65	23.5 years		●

- the completeness and accuracy of the underlying information used to determine the estimate, including liaison with the auditor of the Cheshire Pension fund (final response currently outstanding)
- undertook a reasonableness test of the Council's share of LPS pension assets and assessed the reasonableness of movement in the estimate, and
- assessed the adequacy of disclosure of estimate in the financial statements.

<u>Conclusion</u>

We have not identified any issues to date in respect of this significant estimate, however as noted on page 12, we are still waiting for the final IAS19 response from the pension fund auditor.

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Depreciation	Asset values and assessed remaining lives are input into Halton's asset management system (RAM) at acquisition where they are maintained until write off or disposal. The system then calculates the depreciation charge to be included in the draft accounts. Depreciation is calculated on a straight-line basis over the Useful Economic Life (UEL) of the assets. The usual UEL of assets is as follows: Buildings and Other Operational Properties - 10-60 years Community Assets - 15 years Infrastructure Assets - 15-120 years Vehicles, Plant and Equipment - 3-10 years Intangible Assets - 5 years Qualified valuers advise on the UEL of Buildings and suitably qualified officers advise on Vehicles, Plant and Equipment.	Our review of the depreciation charge for the year identified no issues with the estimate made by management.	Green
Bad debt allowances/credit loss provision	The Bad Debt Provision and impairment provision recorded in the accounts is made up of a number or provisions, most notably the Mersey Gateway Public Charge Notices provision and Local Taxation provision. Calculation of Bad Debt Provisions is based on a reconciliation of aged debt balances. Outstanding balances are agreed and then historical collection rates are applied to the balances to calculate an estimate for the required provision.	The method for calculating the Bad Debt Provisions for Short Term Debtors has remained consistent for a number of years. The general method is to obtain listings of all debtors and their amounts and calculate the bad debt provision required based on the general percentage rate of collection. These percentages are based on historic data and have been used for several years. We are content with these percentages, and their underlying assumptions, being used to calculate the provision and have not identified any circumstances that suggest they ought to have changed.	Green

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions	Estimation of the provisions are based on the best estimate of expenditure required to settle the obligation at the time of preparation. Any subsequent increase or decrease in these amounts would lead to a corresponding decrease or increase in the General Fund, or the Collection Fund in respect of NNDR Appeals. Provisions are reviewed and authorised by senior management. There is a significant provision for the amounts potentially owed to the Department for Transport in respect of the Mersey Gateway, however this is calculated on a known basis rather than an estimate.	No management bias has been identified. The recognition, measurement, presentation and disclosure of Provisions estimate in the financial statements are deemed to be in accordance with the applicable financial reporting framework. Based on the results of the procedures performed in Provisions and contingent liabilities section, assurance gained over the reasonableness of the Provisions estimate.	● Green
Financial instruments - fair value of level 2 and level 3 investments	The Council has its treasury management advisors, to calculate the fair values of its financial instruments. Management understands and discloses that the fair value of liabilities can differ significantly from the carrying values, and can vary significantly year on year, dependant on market conditions.	No management bias has been identified. The Fair Value of loans and PFI liabilities is calculated by an external expert using loans and pfi data for each loan and pfi scheme supplied by Council. The expert uses PWLB and comparable interest rates from the underlying market in force on the 31st March 2024 to calculate the fair values. No changes noted from previous year.	● Green

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Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
PFI Liability	Estimate is based on the requirements of IFRIC 12 and the financial information in the operator's model. They have been considered to have an implied finance lease within the arrangement. The authority has estimated the implied interest rate within the leases. IRR has been estimated as remaining constant throughout the remaining period of the contract. Model based on latest available information and information relevant to PFI type schemes. Underlying assumptions involved surrounding asset valuation and figures within the operators model. The main assumption underlying the estimate is that the conditions hold true for the life of asset	No management bias has been identified. The estimate is based on the requirements of IFRIC 12 and the financial information in the operators model. They have been considered to have an implied finance lease within the arrangement. The authority has estimated the implied interest rate within the leases. IRR has been estimated as remaining constant throughout the remaining period of the contract. The Model is based on latest available information and information relevant to the PFI type Schemes. The Code specifies the approach, i.e. the apportionment of expected payments under the financial model into separate elements and the application of the actuarial model for lease accounting to the elements relating to acquisition of the asset. No changes identified for 2023/24.	Green
Accruals	Accruals for costs incurred or income earned at year-end are recorded based on the actual amount per invoice subsequently received post-year end, or estimated based on the previous invoices received or raised.	No significant accruals during the year and no significant judgements nor assumptions used with respect to this estimate based on the results of our samples testing on income, expenditure, debtors and creditors. No indicators of management bias noted.	Green

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Assessment

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- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £11.410m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £11.410m, a net increase of £1.506m from 2022/23. This represents a 1.88% charge against the CFR of £605.940m.	We have reviewed the Council's calculation of MRP and considered • whether the MRP has been calculated in line with the statutory guidance • whether the Council's policy on MRP complies with statutory guidance. • Assess whether there has been any changes to the Council's policy on MRP • Reasonableness of the increase in MRP charge Following consultation MHCLG have clarified and updated the regulations and the statutory guidance for minimum revenue provision. Although these take full effect from April 2025 , the consultation highlighted that the intention was not to change policy, but to clearly set out in legislation the practices that authorities should already be following. This guidance clarifies that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute.	Green

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Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
Unit 4 ERP	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	Our Value for Money work has identified a significant weakness due to the Council's business continuity and disaster recovery plans being out-of-date – see Auditor's Annual Report presented alongside this for more detail.

Assessment

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

2. Financial Statements: matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view and management response
Significant events or transactions that occurred during the year.	The decline in financial performance during Q1 of 2024/25 was discussed.	We have considered this in more detail in our Auditor's Annual Report, presented alongside this report, where we have identified significant weaknesses in the Council's arrangements for securing Value for Money and raised two statutory recommendations. **Management response** Responses to each of the recommendations are included in the Interim Auditor's Annual Report.
Prior year adjustments identified	As noted on page 13 we had discussions with management on the accounting for the Mersey Gateway, in particular how to account for the annual surpluses due back to the Department for Transport. We agreed with management's accounting however believed that the historic amounts due should be accounted consistently and as a prior period adjustment.	**Auditor view** • Covered on page 13 **Management response** • Covered on page 13

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Board. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed, although we have noted a recommendation in Appendix B in respect of missed member declarations.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is set out at Appendix F.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to other Local Authorities, banks and financial institutions in respect of cash and investment balances and borrowings. This permission was granted and the requests were sent and positive responses received.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements: other communication requirements

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. • The challenging financial position in 2024/25, which we know the Council is working to address and whilst this leads to some concerns over reserves we note the Council is hoping to obtain Exceptional Financial Support and provision of services would continue. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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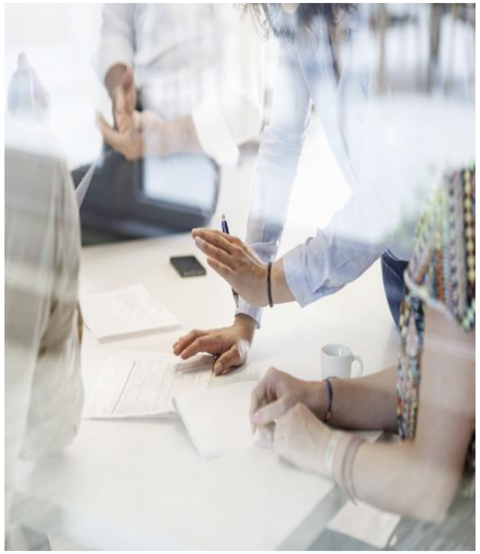
2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No significant inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weaknesses. We have nothing to report on the first matter based on the Annual Governance Statement and we currently have not exercised any of our statutory powers or duties. We have not yet exercised any of our additional statutory powers or duties and are considering the Council's responses to the financial pressures currently being faced. We will continue to monitor progress in this area and our statutory responsibilities. Our Interim Auditor's Annual Report is presented alongside this report and identifies significant weaknesses in respect of the Council's arrangements, see pages 26 and 27 for more detail.



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2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. We have completed our work on the Whole of Government Accounts and intend to submit our assurance statement to NAO following the Audit & Governance Board on 20 November 2024..
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2023/24 audit of Halton Borough Council in the audit report due to National Audit Office's request not to certify any audits until they are ready to issue their opinion on the WGA.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

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Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Interim Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The significant weaknesses we identified is/are detailed in the table below, along with the procedures we performed and our conclusions. Our auditor's report will make reference to these significant weaknesses in arrangements, as required by the Code.

Value for Money Criteria	Auditor Judgement	Outcome
Financial sustainability	R	Three significant weaknesses in arrangements identified and two statutory recommendations and one key recommendation made in relation to short and medium-term financial planning, the Council's transformation programme, and the Dedicated Schools Grant (DSG) deficit. We raised a key recommendation on the Council's savings and transformation plans in our 2022/23 report, issued in March 2024 and limited progress has been made to address the weaknesses identified.
Governance	R	Two significant weaknesses in arrangements have been identified in relation to risk management and business continuity and disaster recovery. The transformation programme governance and budget setting weaknesses identified in the financial sustainability section also have governance implications. We also raise five improvement recommendations. These relate to internal audit, whistleblowing, scrutiny, Audit and Governance Board and declarations of interest.
Improving economy, efficiency and effectiveness	R	Two significant weaknesses in arrangements identified and two key recommendations raised in relation to performance management and children's services. We also raise one improvement recommendation relating to contract management.

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

4. Other statutory powers and duties

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

Issue	Commentary
Statutory recommendations	We have issued two statutory recommendations in respect of the Council's financial sustainability.

5. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers).
In this context, we disclose the following to you:

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

5. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council or investments in the Council held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view.

5. Independence considerations

Audit and non-audit services

The table below sets out the total fees for non-audit services charged from the beginning of the financial year to the date of signing the financial statements, as well as the threats to our independence and the safeguards that have been applied to mitigate these threats.

The below non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

- None of the services provided are subject to contingent fees.
- For the purposes of our audit, we have made enquiries of Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Halton Borough Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

Service	Fees £	Threats identified	Safeguards
Certification of Housing Benefits grant – Audit related 23/24 fee	26,780	Self-interest, Self review and management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £26,780 in comparison to the total fee for the audit of £324,902, and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. For the self-review threat safeguards include the fact that we do not prepare any of the work reviewed and any changes would be agreed with the local authority prior to submission, and we would have no subsequent involvement in any decisions made about changes once our report has been issued. In respect of the management threat the scope of our work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We believe these factors all mitigate the perceived threats to an acceptable level.
Certification of Teachers Pension Return – Audit related 23/24 fee	12,500	Self-interest, Self review and management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £324,902, and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. For the self-review threat safeguards include the fact that we do not prepare any of the work reviewed and any changes would be agreed with the local authority prior to submission, and we would have no subsequent involvement in any decisions made about changes once our report has been issued. In respect of the management threat the scope of our work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We believe these factors all mitigate the perceived threats to an acceptable level.
CFO Insights – requested in 24/25 financial year – Other service	15,000	Self-interest	The level of this non-recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £15,000 in comparison to the total fee for the audit of £324,902, and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it.

5. Independence considerations (continued)

Service	Fees £	Threats identified	Safeguards
Certification of Housing Benefits grant – Audit related 22/23 fee*	26,000	Self-interest, Self review and management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £26,000 in comparison to the total fee for the audit of £324,902, and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. For the self-review threat safeguards include the fact that we do not prepare any of the work reviewed and any changes would be agreed with the local authority prior to submission, and we would have no subsequent involvement in any decisions made about changes once our report has been issued. In respect of the management threat the scope of our work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We believe these factors all mitigate the perceived threats to an acceptable level.
Certification of Teachers Pension Return – Audit related 22/23 fee* *Reflected in 22/23 Financial Statements	10.000	Self-interest, Self review and management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £324,902, and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. For the self-review threat safeguards include the fact that we do not prepare any of the work reviewed and any changes would be agreed with the local authority prior to submission, and we would have no subsequent involvement in any decisions made about changes once our report has been issued. In respect of the management threat the scope of our work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We believe these factors all mitigate the perceived threats to an acceptable level.

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Appendices

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A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 6 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	Our work on cash noted that bank reconciliations are not always carried out at the month-end date and also that some school bank accounts were still included within cash when they shouldn't have been. The amounts concerned are below our triviality level so no adjustment has been noted in Appendix D. We also noted the same issue as in 2022/23 where reconciling items were posted to debtors automatically rather than considered as reconciling items as part of the cash balance. The amounts are below trivial.	We recommend that reconciliations are performed fully at period-ends and that the amounts which should no longer be in schools cash are transferred to the appropriate place in the Council's accounts. **Management response** A change in staffing resulted in slippage to monthly reconciliations. Training now provided and reconciliations will be undertaken monthly. Amounts incorrectly held as schools cash will be correctly transferred.
Medium	From our work and discussions with management we understand that there is no internal formal impairment process performed. Whilst we understand that the valuer will review impairment as part of their review, management need to demonstrate how they have considered their own estate for potential impairment via the estates team and how issues have been discussed with the valuer such as plans to stop using certain assets, condition surveys etc.	We recommend that management introduce a formal impairment process on at least an annual basis. **Management response** Discussions will take place with Council's valuers and impairment process will be built into annual closedown checklist.
Medium	Our work on REFCUS (Revenue Expenditure Funded from Capital Under Statute) identified several items that should not have been classified as REFCUS and this led to the misstatement included in Appendix D.	We recommend that the Council review any expenditure it is classifiying as REFCUS as part of its annual closedown to ensure it meets the definition and is therefore accounted for correctly **Management response** Agreed, action to be built into annual closedown checklist.

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Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
Low	We noted during our audit testing that some members had not disclosed all their interests on their declarations.	We recommend that all declarations are completed fully by both officers and members. **Management response** The Council recognises the importance of having an up to date declaration of interests and will take steps to ensure its arrangements are robust.
Low	Our testing identified an item which had been disposed of but was still held on the asset register. We note however it had no carrying value as it was fully depreciated.	We recommend that at year-end disposals are reviewed to ensure that they are no longer on the asset register. **Management response** Action to be built into annual closedown checklist.
Low	We noted that there is no formal review or authorisation process for journals. The mitigating control is that each cost centre is monitored by the relevant budget holder. The budget holder reviews transactions against cost centre codes periodically to ensure no unusual or incorrect postings have been made.	Management should consider putting in place a preventative control in addition to the existing detective control so that journals are authorised prior to them being posted. **Management response** Management consider that this is not required as controls are in place through review of expenditure by Finance Officers and Budget Holder to ensure all transactions are correctly coded.

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Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of Halton Council's 2022/23 financial statements, which resulted in 6 recommendations being reported in our 2022/23 Audit Findings report. We are pleased to report that management have implemented most of our recommendations or have provided details of appropriate mitigating controls

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In Part	**R1. Land and buildings assets not revalued** Management had not carried out a review of assets not revalued as part of the triennial cycle as at 31 March 2023 to ensure there was no material change in value. At our request, management carried out a review which involved liaison with the external valuer. Management should conduct an exercise to assess the valuation change in assets not revalued annually unless a full valuation takes place.	Sandersons Weatherall have been asked to review all class of assets, not revalued in 2023/24 which have not changed significantly. Desktop valuation on all assets with a value over £3m, and a third of assets valued over £1m. Update from audit – This review was not received until mid-September and indicated a material difference which requires adjusting therefore we would recommend management consider requesting the desktop review is performed before the accounts are published.
✓	**R2. Pension actuarial valuation** From discussions with the actuarial firms, we understand that the application of IFRIC 14 is not within their normal scope. As such, unless they are instructed otherwise by the employer, they will produce IAS 19 disclosures assuming there are no IFRIC 14 adjustments to any surplus or deficit. This means there is a risk that material adjustments are not factored into the IAS19 disclosures. Management should instruct their actuary to calculate any potential asset ceiling under IFRIC14 when the pension scheme is in surplus to ensure this is reflected in their IAS19 calculations.	Actuary has been asked to provide a report to calculate potential asset ceiling under IFRIC14. No issues noted during the 2023-24 audit.
✓	**R3. Property assets no longer owned by the council** A review of fully depreciated vehicles, plant and equipment assets revealed that they had been disposed of by the Council. Management should put in place arrangements to ensure that the fixed asset register is updated when assets are disposed of. A review of the fixed asset register should be undertaken to ensure no assets remain which have been disposed of.	This review has been carried out. No issues noted during the 2023-24 audit.

Assessment

✓ Action completed

X Not yet addressed

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C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**R4. Minimum Revenue Provision** Management have not calculated an MRP charge for the £10m borrowing for the delinking project. At 31 March 2023 the MRP is estimated to be c£300k so trivial, but this will increase annually so will need recognising by the Council. The Council expenditure on the De-linking project does meet the criteria for unfinanced capital expenditure which should prudently be included in the annual MRP charge of the Council. As such, the council should apply an MRP charge for the de-linking project borrowing in future years.	DFT have sent e-mail confirming the £10m can be financed through revenue from road charges. MRP will be calculated and funded in full for the period to 31 March 2024.
Re-raised	**R5. Journal Authorisation** We noted that there is no formal review or authorisation process for journals. The mitigating control is that each cost centre is monitored by the relevant budget holder. The budget holder reviews transactions against cost centre codes periodically to ensure no unusual or incorrect postings have been made. Management should consider putting in place a preventative control in addition to the existing detective control so that journals are authorised prior to them being posted.	Management consider that this is not required as controls are in place through review of expenditure by Finance Officers and Budget Holder to ensure all transactions are correctly coded.
In part – point 1 re-raised in current year	**R6. Bank reconciliations** 1. An unreconciled difference of £27k was identified on the General Receipts bank reconciliation for March 2023. 2. One school bank reconciliation for March 2023 could not be provided by management. Management confirmed that the reconciliation had not been prepared. We requested it to be prepared and raised a number of unreconciled items. We recommend that management review and improve the bank reconciliation process ensuring unreconciled amounts are investigated and cleared. Management should ensure that school's bank accounts are routinely prepared and retained.	The receipts account is reconciled daily to the bank statement as part of the Income Manager system. The difference relates to where allocations are made in different financial years, which is difficult to analyse retrospectively due to it being a live system. The Council will continue to try and find a better way of showing the reconciliation without showing an unreconciled balance between years. School bank accounts have been routinely prepared and retained.

Assessment

✓ Action completed

X Not yet addressed

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D. Audit Adjustments

We are required to report
all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2024.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	*Impact on brought forward reserves as PPA	Impact on general fund £000
Prior Period Adjustment in respect of Mersey Gateway Creditor*	(62,495)	0	0	62,495	0
Adjustment to reflect the desktop revaluation of certain assets not fully revalued in the year.	(14,062)	14,062	0	0	(14,062)
Three assets held for sale that were not being actively marketed at 31st March 2024, so these will be moved to Surplus Assets.	0	5,450 (5,450)	0	0	0
Overall impact	£(76,557)	£14,062	£0	£62,495	£(14,062)

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D. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Amendments to Narrative report	Various elements to be reworded to improve clarity	✓
Accounting policies	Update critical judgements to be in accordance with IAS1, small amendments to other policies to improve relevancy.	✓
Note 42	Unitary charge figure (and corresponding 'other costs') incorrect in draft accounts. Wording to be updated in respect of Excess Share Repayment	✓
Various	Management agreed to amend for a number of other minor presentational issues and disclosure matters to ensure compliance with guidance.	✓
Pensions note	Management agreed to amend for a number of other minor presentational issues and disclosure matters to ensure compliance with guidance.	✓
Note 27	Updated disclosure in respect of MG repayment provision	✓
Note 43	New note added in respect of Prior Period Adjustment	✓
Note 2	Correction between grant income and fees and charges	✓
Note 7	Correction of Grants included in net cost	✓
Note 31	Update for disclosure misstatement	✓

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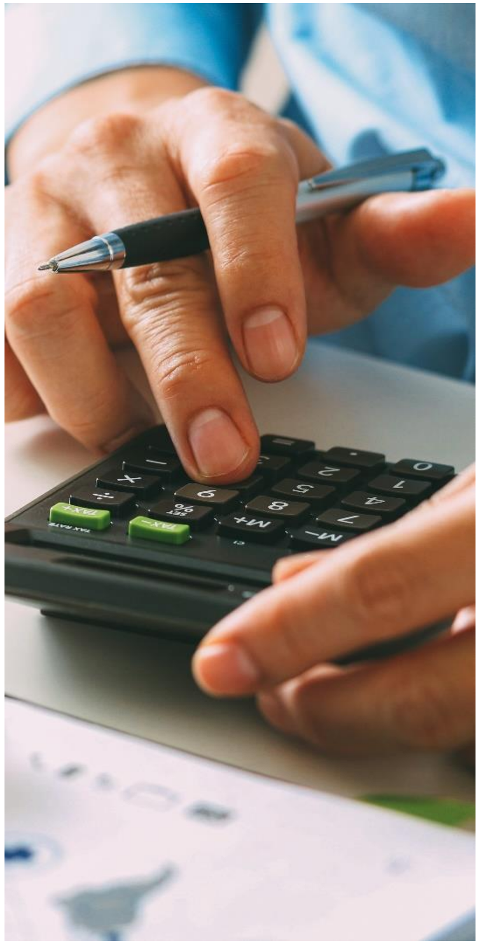
D. Audit Adjustments (continued)



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Audit and Governance Board is required to approve management's proposed treatment of all items recorded within the table below

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
A downwards revaluation to the Municipal Building that was entered in error – only CIES side entered incorrectly as the I&E report was ran before the final adjustments were made	553 (553)	0	0	0	Materiality
Incorrect downwards revaluation of whole asset when only part was revalued	(670)	670	(670)	0	Materiality
Items incorrectly classified as REFCUS	1,317 (1,317)	0	0	0	Materiality
Error in floorplan calculation	930	(930)	930	0	Materiality
Overall impact	£260	£(260)	£260	£0	

Impact of prior year unadjusted misstatements

We have reviewed the 5 prior year unadjusted misstatements identified during our 2022/23 audit. The only one which potentially could have an ongoing impact into the 2023/24 position is detailed below.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
Understated REFCUS creditor	931	(931)	0	0	Materiality
Overall impact	£931	£(931)	£0	£0	

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E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Halton Council Audit	£307,352	£307,352
ISA 315	£12,550	£12,550
Cost for External Valuation expert (may vary depending on work required)	£0	£5,000
Additional work required to support the Value for Money conclusion	£0	£4,500
Total audit fees (excluding VAT)	£319,902	£329,402

All variations to the scale fee will need to be approved by PSAA

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services – Housing Benefit Certification 2023/24	26,780	26,780
Audit Related Services – Teachers Pension Return Certification 2023/24	12,500	12,500
Other Services – CFO Insight – commissioned in 2024/25 financial years	**15,000**	**15,000**
Audit Related Services – Housing Benefit Certification 2022/23	26,000	26,000
Audit Related Services – Teachers Pension Return Certification 2022/23	10,000	10,000
Total non-audit fees (excluding VAT)	**£90,280**	**£90,280**

Total audit and non-audit fee	
(Audit Fee) £ 329,402	(Non Audit Fee) **£90,280**

None of the above services were provided on a contingent fee basis.

The audit fees reconcile to the financial statements as follows:

Audit fees per financial statements:	£324k
Additional work required during the audit (not accrued for)	£5k
Audit fees as per above	£329k

The non-audit fees for 2023/24 differ slightly as the accounts show £30k which reflects an adjustment to the amount recorded in the 2022/23 Financial Statements (£38k in the accounts versus £36k charged) and because the 2023/24 fees of £39k were confirmed after production of the financial statements. The 2022/23 services were recorded in the previous financial statements and the 2024/25 service will be recorded in the following set of financial statement for 2024/25.

This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

F. Management Letter of Representation

Grant Thornton UK LLP

Landmark

St Peter's Square

1 Oxford Street

Manchester

M1 4PB

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Grant Thornton UK LLP

Halton Borough Council

Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of Halton Borough Council for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of land and buildings and the net defined pension liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

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F. Management Letter of Representation

vii. Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the Council has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. The prior period adjustments disclosed in Note 43 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

xvi. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

xvii. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

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F. Management Letter of Representation

xviii. We have communicated to you all deficiencies in internal control of which management is aware.

xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Governance Board at its meeting on 25 September 2024.

Date……………………………..

Signed on behalf of the Council

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G. Auditor's Report

Independent auditor's report to the members of Halton Borough Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Halton Borough Council (the 'Authority') for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Financial Services' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Director of Financial Services' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Director of Financial Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Financial Services with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Financial Services is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

G. Auditor’s Report

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters except on 6 November 2024 we issued the following two written recommendations under section 24 of the Local Audit and Accountability Act 2014. These were in relation to:

- the Authority’s short and medium-term financial planning. We have not seen any evidence of progress to date or clear plans to progress our 2022-23 key recommendation to implement a more robust budget setting approach. We recommended that the Authority improve its short term and medium-term planning.
- the Authority’s transformation programme. We are concerned about the lack of pace in the programme so far and the lack of focus on delivering budgeted savings as this was agreed as the driver for the programme’s introduction and is crucial for the Authority given its current financial context. We recommended that the Authority should develop and implement the transformation programme at scale and pace to address the significant structural budget deficit.

Responsibilities of the Authority and the Director of Financial Services

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Financial Services. The Director of Financial Services is responsible for the preparation of the Statement of Accounts, which includes 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 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Director of Financial Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Financial Services is responsible for assessing the Authority’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

G. Auditor's Report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972 and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012)).

We enquired of management and the Audit and Governance Board, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit and Governance Board, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud. We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to management override of controls through inappropriate journal entries:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect management override of controls,
- journal entry testing, with a focus on large and unusual items and those falling within identified risk criteria including; journals posted by senior management, period-end journals, journals posted after 31 March 2024, off ledger adjustments and period-end accruals and accrued income.
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the pensions valuation and land and building valuation.
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in expenditure recognition. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

G. Auditor's Report

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in respect of the above matter, except:

On 6 November 2024 we identified two significant weaknesses in the Authority's arrangements for financial sustainability. We made two written recommendations to the Authority under section 24 of the Local Audit and Accountability Act 2014. These recommendations are included under Matters on which we are required to report by exception of this report.

In addition, we have identified the following further significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources:

- On 20 March 2024 we identified a significant weakness for the year ended 31 March 2023 in the Authority's for governance arrangements. This was in relation to the Authority's risk management arrangements needing significant improvements. We recommended that the Authority improves its risk management arrangements. We have identified no improvement in risk management in our work for the year ended 31 March 2024. Therefore, the significant weakness remains in place and retained a recommendation that the Authority needs to significantly improve its risk strategy, improve the Corporate Risk Register and ensure officers and members are reviewing strategic and directorate risks at least quarterly and ensuring risk is adequately considered in financial reporting.
- On 6 November 2024 we identified a further significant weakness in the Authority's arrangements for governance. This was in relation weaknesses in the Authority's arrangements for business continuity and disaster recovery. We recommended that the Authority urgently updates its arrangements in these areas.
- On 20 March 2024 we also identified a significant weakness in the Authority's arrangements for improving economy, efficiency and effectiveness for the year ended 31 March 2023. This was in relation to the Authority's performance management arrangements as the Authority did not have a corporate plan in place for 2022-23 or 2023-24. We recommended that the Authority improvements its performance management arrangements. We have identified no improvement in performance management in our work for the year ended 31 March 2024. Therefore, the significant weakness remains in place and the key recommendation is retained.
- On 6 November 2024 we identified a further significant weakness in the Authority's arrangements for improving economy, efficiency and effectiveness. This was in relation significant weaknesses in arrangements for children's services. We recommended that the Authority needs to significantly improve its services for children and young people by putting in place arrangements to improve its SEND services working with health partners and by putting in place, and delivering, an improvement plan to address the wider children's services inspection findings.
- On 6 November 2024 we identified a significant weakness in the Authority's financial sustainability arrangements. The Authority's forecast shows its Dedicated School Grant (DSG) deficit is projected to rise significantly over the medium-term. We recommended that the Authority should put sufficient plans in place to address its escalating forecast DSG deficit, while delivering the necessary improvements to its special educational needs and/or disabilities (SEND) services. The Authority's plans should ensure it has appropriate contingency in place if the Government's statutory override is not extended in March 2026.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

G. Auditor's Report

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Halton Borough Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Green, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

Date:

grantthornton.co.uk

REPORT TO: Audit & Governance Board

DATE: 20 November 2024

REPORTING OFFICER: Director of Finance

PORTFOLIO: Corporate Services

SUBJECT: External Auditor's Annual Report 2023/24

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To consider the 2023/24 Auditor's Annual Report shown in the Appendix, which will be presented to the Board by the Council's External Auditor, Grant Thornton UK LLP.

2.0 RECOMMENDED: That

(i) the contents of the 2023/24 External Auditor's Annual Report shown in the Appendix be noted, including the recommendations presented within the report; and

(ii) Council be asked to consider the two statutory recommendations contained within the report, at its meeting on 4th December 2024.

3.0 SUPPORTING INFORMATION

3.1 The External Auditor is required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Auditor's Annual Report details the Council's overall arrangements, as well as providing recommendations regarding any significant weaknesses identified during the review. In addition, improvement recommendations are made which the Council may also decide to implement.

3.2 The External Auditor is required to report under three specific criteria, being:

- Financial Sustainability
- Governance
- Improving Economy, Efficiency and Effectiveness

3.3 The report provides details of the findings of the External Auditor's review, which will be presented at the Board by Grant Thornton UK LLP.

4.0 POLICY IMPLICATIONS

4.1 None.

5.0 **FINANCIAL IMPLICATIONS**

5.1 The report provides an external viewpoint on the financial sustainability of the Council. As is now the case for many local authorities, there are significant financial challenges for the Council in balancing future year budgets and managing spending within budgets.

5.2 The report identifies a number of significant weaknesses regarding the arrangements the Council has in place to secure financial sustainability, governance, and improving economy, efficiency and effectiveness. Two statutory recommendations have been made, which require consideration by Council within one month. Key recommendations have also been made and management’s responses to those recommendations are included within the report.

5.3 In addition, a number of improvement recommendations are identified within the report, along with management’s responses.

6.0 **IMPLICATIONS FOR THE COUNCIL’S PRIORITIES**

6.1 Improving Health, Promoting Wellbeing and Supporting Greater Independence

6.2 Building a Strong, Sustainable Local Economy

6.3 Supporting Children, Young People and Families

6.4 Tackling Inequality and Helping Those Who Are Most In Need

6.5 Working Towards a Greener Future

6.6 Valuing and Appreciating Halton and Our Community

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

7.0 **RISK ANALYSIS**

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

8.0 **EQUALITY AND DIVERSITY ISSUES**

8.1 None.

9.0 **CLIMATE CHANGE IMPLICATIONS**

9.1 None.

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

10.1 None under the meaning of the Act.

Halton Borough Council

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

6 November 2024

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.

Introduction

Purpose of the Auditor's Annual Report

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

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

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

Responsibilities of the appointed auditor

Opinion on the financial statements

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

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

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

Value for money

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

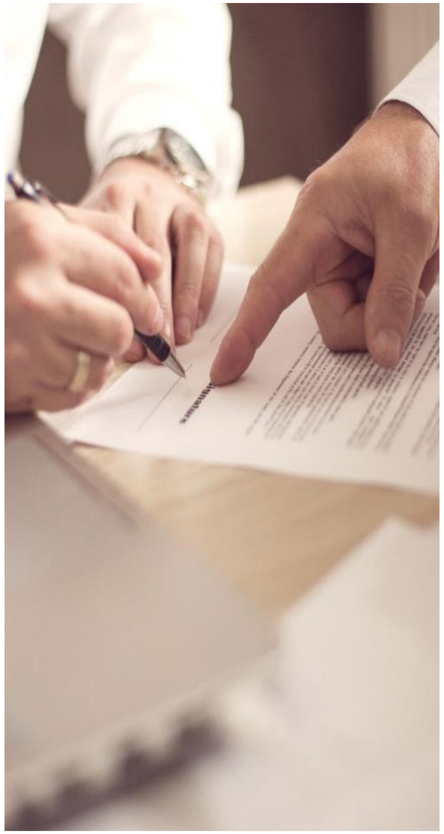
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

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

Auditor powers

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

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



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Executive summary

Executive summary

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

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

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

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

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

Our Responsibilities

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

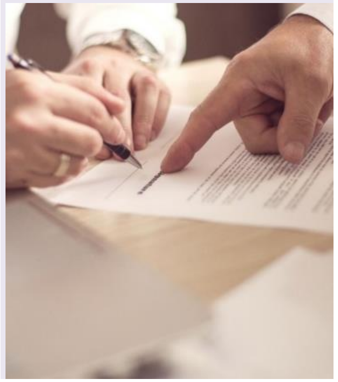
What does the Council need to do next?

Schedule 7 of the Local Audit and Accountability Act 2014 requires the following actions:
The Council must consider the recommendation at a meeting held before the end of the period of one month beginning with the day on which it was sent to the Council.
At that public meeting the Council must decide

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

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

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



Executive summary

Financial sustainability

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

Governance

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

Improving economy, efficiency and effectiveness

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

Executive summary (continued)

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. A summary of our judgements are set out in the table below.

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

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

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Executive summary (continued)

Significant weaknesses identified in arrangements for delivering financial sustainability

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We reviewed the Council's arrangements to deliver financial sustainability and have concluded that there were three significant weaknesses in arrangements.

Short and medium-term financial planning

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

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

Statutory recommendation 1
The Council should improve its short and medium-term financial planning by: • ensuring that financial plans appropriately account for significant cost pressures, including developing comprehensive plans to address overspending on agency staff • implementing a more robust budget-setting approach, including public budget engagement • ensuring that risks to financial resilience are appropriately highlighted in financial plans, including the section 25 report • ensuring that financial plans are sufficient to bridge all forecast budget gaps and replenish reserves • ensuring that financial plans are linked to the Council's corporate priorities as set out in its new Corporate Plan

Executive summary (continued)

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

Transformation Programme

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

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

Statutory recommendation 2
The Council should develop and implement the transformation programme at scale and pace to address the significant structural budget deficit. This should include: • ensuring it has effective overview and control of its transformation programme which is sufficiently focused on budget savings. • ensuring there is sufficient capacity and skills in the organisation to effectively deliver the required savings, including change management and PMO. • ensuring the reprioritisation of the programme includes a review of both discretionary spending and the levels at which statutory services are provided and is informed by appropriate stakeholder consultation • improving programme management to include officer as well as member assurance boards. • developing robust and transparent monitoring arrangements for benefits realisation and tracking savings as a whole programme. • ensuring the programme has a risk and issues log that the PMO updates and uses regularly.

Executive summary (continued)

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

Dedicated Schools Grant (DSG) deficit

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

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

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

Executive summary (continued)

Significant weaknesses identified in governance arrangements

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

Risk management

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

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

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

Business continuity and disaster recovery

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

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

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

Transformation programme governance

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

Budget setting

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

Executive summary (continued)

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

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We reviewed the Council's arrangements and have concluded that there were two significant weaknesses.

Performance management

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

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

Key recommendation 4
The Council needs to improve its performance management arrangements by: • establishing a golden thread for the Council, by improving the performance management framework at corporate and service levels linking outcomes to expected annual measures to track success and reporting these to the public. • agreeing performance outcomes, that can be measured, at least annually as part of the new performance management framework. • improving performance reporting to include benchmarking with 'nearest neighbours' data where possible; • integrating performance, risk and finance reporting to drive improvement and sharing these reports quarterly with the Executive Board. • ensuring consistency across directorates regarding the reporting of corporate performance data to enable outcomes to be tracked.

Children's services

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

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

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

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Statutory recommendations

Statutory recommendation 1

Financial sustainability

Statutory recommendation 1	The Council should improve its short and medium-term financial planning by: • ensuring that financial plans appropriately account for significant cost pressures, including developing comprehensive plans to address overspending on agency staff • implementing a more robust budget-setting approach, including public engagement with the budget • ensuring that risks to financial resilience are appropriately highlighted in financial plans, including the section 25 report • ensuring that financial plans are sufficient to bridge all forecast budget gaps and replenish reserves and includes a range of scenarios and sensitivity analysis • ensuring that financial plans are linked to the Council's corporate priorities as set out in its new Corporate Plan
Management response	Agreed. The Council will further develop the medium-term financial plan and budget report to highlight risks regarding financial resilience, continue to reflect all significant cost pressures, and will ensure a robust budget setting process is in place. Within the budget report we will include narrative regarding how budget setting is linked to the Council's corporate priorities. **Responsible Officer:** Director of Finance **Executive Lead:** Head of Revenues & Financial Management **Deadline:** 31st March 2025

Statutory recommendation 2

Financial sustainability

Statutory recommendation 2	The Council should develop and implement the transformation programme at scale and pace to address the significant structural budget deficit. This should include: • ensuring it has effective overview and control of its transformation programme which is sufficiently focused on budget savings. • ensuring there is sufficient capacity and skills in the organisation to effectively deliver the required savings, including change management and PMO. • ensuring the reprioritisation of the programme includes a review of both discretionary spending and the levels at which statutory services are provided and is informed by appropriate stakeholder consultation • improving programme management to include officer as well as member assurance boards. • developing robust and transparent monitoring arrangements for benefits realisation and tracking savings as a whole programme. • ensuring the programme has a risk and issues log that the PMO updates and uses regularly.
Management response	Agreed. A reset of the transformation programme is being undertaken which will address the issues raised and will re-prioritise the programme, in order to address the need to identify significant budget savings as a matter of urgency. The new Transformation Board is meeting monthly to drive forward the re-purposed programme and provide the necessary robust monitoring and challenge going forward. Nearest neighbour benchmarking data is being utilised to focus and prioritise the programme towards those areas where the greatest financial benefit appears likely. Management Team is taking urgent action to adopt robust procedures to reduce spending across all departments as far as possible, to minimise the in-year overspend and protect the Council's reserves. **Responsible Officer:** Corporate Director, Chief Executives Delivery Unit **Executive Lead:** Senior Delivery Officer TDU **Deadline:** 31st December 2024

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

Opinion on the financial statements

Audit opinion on the financial statements

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

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

Grant Thornton provides an independent opinion on whether the Councils financial statements:

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

We conducted our audit in accordance with:

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

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

Findings from the audit of the financial statements

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

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

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

Audit Findings Report

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

Use of auditor's powers

We bring the following matters to your attention:

	2023/24
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.	We issued two statutory recommendations.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We have not issued a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We have not made an application to the Court.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We have not issued any advisory notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We have not made an application for judicial review.

Value for Money Commentary on arrangements

The current local government landscape

National context

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

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

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

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

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

Local context

Halton Borough Council (the Council), in North-west England, was created on 1 April 1974 as part of a wider reorganisation of local government in England. Its largest towns are Runcorn and Widnes. It became a unitary council on 1 April 1998. The Council is also part of the Liverpool City Region Combined Authority. This is one of the few City Regions to have secured a Devolution Agreement with the Government, meaning decision-making and resources around key priorities are managed locally.

The Council is a small unitary council, with a population of 128,964. 30% of the population live in areas that are deprived. The Council has the second highest rate of looked after children in the City Region after Liverpool which contributes to its challenges with children's social care spending. It is facing a growing demand for children's social care combined with the national impact of increasing placement costs and the high level of agency use in both children's services and adult social care.

Council elections are by thirds. This means that a third of the 54 councillors are elected every year over a four-year cycle (with no elections in the fourth year). The 2024 Halton Borough Council election was held on Thursday 2 May 2024, alongside the other local elections in the United Kingdom held on the same day. Labour retained its longstanding majority on the Council with 50 of the 54 currently elected councillors being Labour.

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

Financial sustainability

We considered how the audited body:	Commentary on arrangements	Assessment
ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;	The Council's 2023/24 revenue budget outturn was an overspend of £5.6m against a budget of £141.8m. This was funded from reserves, with a Department for Transport (DfT) review providing £7.9m from the Mersey Gateway reserve. The Council's 2024/25 budget and MTFS recognise the need to move away from the short-term approach of using reserves to provide a balanced budget position and avoiding making permanent budget savings. The use and cost of agency staff across all departments continues to be one of the main contributing factors to the revenue overspend position but this has not been factored in to the 2024/25 budget and as at May 2024, the Council was already reporting overspends on agency staffing costs. The Council set a balanced budget for 2024/25 but reported a £3.4m overspend to date as at May 2024 and a projected £20.4m overspend forecast for the 2024/25 financial year. Available reserves to the Council (General and Earmarked) stand at £11.5m, which is well below that required to help provide a balanced budget position. The Council is in discussions with MHCLG about Exceptional Financial Support (EFS) and the S151 Officer hopes that this will avoid the need to issue a S114 notice in 2024/25. We have raised a statutory recommendation in relation to short and medium-term financial planning on page 23. Additionally, the Council's forecasts show the Dedicated Schools Grant (DSG) deficit rising from £2.9m in 2023 to £33.9m by 2028 and even with mitigations, the stretch target for this is still £21.0m. In 2026 this would be £13.3m - more than the Council is currently holding in usable reserves. This presents a significant risk if the Government's statutory override is not extended beyond March 2026. We have raised a key recommendation with regard to this on page 25.	R
plans to bridge its funding gaps and identifies achievable savings	In our AAR for 2022/23 we made a key recommendation relating to the Council's savings and transformation programme. We identified this programme as a risk of significant weakness for 2023/24 and undertook additional testing. We conclude that the Transformation Programme remains a significant weakness in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources in 2023/24 and have raised a statutory recommendation on page 24. The failure of the Transformation Programme to deliver planned budgeted savings to date puts significant further strain on the Council's finances. The Council did deliver the majority of its planned efficiency savings in 2023/24, achieving £2.5m of its £2.83m target. However, even if efficiency and Transformation Programme savings were being delivered in full, the planned savings are still not sufficient to bridge the funding gaps identified. The Council's latest medium-term forecast as at 31 May 2024, shows a budget gap of £20.1m over the next three financial years, after proposed savings in 2025/26 of £9.3m and in 2026/27 of £8m are taken into account, which the Council does not have plans to address. As noted above, the Council is now at risk of depleting its reserves within the 2024/25 financial year and is in discussions with MHCLG about the potential for Exceptional Financial Support (EFS). The Council does not expect to receive the EFS before the next budget-setting cycle. We have included this in our statutory recommendation on short and medium-term financial planning on page 23.	R

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

Financial sustainability (continued)

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

Financial sustainability (continued)

Significant weaknesses identified

Short and medium-term financial planning

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

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

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

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

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

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

Statutory Recommendation 1 - The Council should improve its short and medium-term financial planning by:
- ensuring that financial plans appropriately account for significant cost pressures, including developing comprehensive plans to address overspending on agency staff
- implementing a more robust budget-setting approach, including public budget engagement
- ensuring that risks to financial resilience are appropriately highlighted in financial plans, including the section 25 report
- ensuring that financial plans are sufficient to bridge all forecast budget gaps and replenish reserves
- ensuring that financial plans are linked to the Council's corporate priorities as set out in its new Corporate Plan

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Financial sustainability (continued)

Significant weaknesses identified (continued)

Transformation programme

The Council has a Transformation Programme in place which was intended to deliver £20m of savings by 2026/27. The Council originally had a target to deliver £2m savings in 2023/24, £8m in 2024/25 and £10m in 2025/26. However, in November 2023 the Executive Board were advised the programme was reprofiled to deliver £4m in 2024/25, and £8m in both 2025/26 and 2026/27. As at September 2024, the Programme is being rescoped in recognition that the original £20m target will not be sufficient to address the Council's forecast budget gaps.

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

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

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

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

Statutory Recommendation 2 – The Council should develop and implement the transformation programme at scale and pace to address the significant structural budget deficit. This should include:
- ensuring it has effective overview and control of its transformation programme which is sufficiently focused on budget savings.
- ensuring there is sufficient capacity and skills in the organisation to effectively deliver the required savings, including change management and PMO.
- ensuring the reprioritisation of the programme includes a review of both discretionary spending and the levels at which statutory services are provided and is informed by appropriate stakeholder consultation
- improving programme management to include officer as well as member assurance boards.
- developing robust and transparent monitoring arrangements for benefits realisation and tracking savings as a whole programme.
- ensuring the programme has a risk and issues log that the PMO updates and uses regularly.

Financial sustainability (continued)

Significant weaknesses identified (continued)

Dedicated Schools Grant (DSG) deficit

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

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

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

We have therefore raised a key recommendation below.

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

Table 1: Dedicated Schools Grant forecast cumulative deficit and targets

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

Source: Delivering Better Value grant application, December 2023

Governance

We considered how the Audited Body:	Commentary on arrangements	Assessment
monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	In our 2022/23 AAR we identified a significant weakness relating to risk management and made a key recommendation for the Council to improve its arrangements. We have identified no improvement in risk management in our work for 2023/24. The Audit and Governance Committee received the last Corporate Risk Register (CRR) on 26 June 2024. The format of the risk register remains the same as that we reported in our AAR in 2022/23. We note that children's services are not one of the top four risks in the Council despite the cost pressures facing the service and the need to drive immediate improvement on its special education needs and disabilities (SEND) service. We note the SEND risk register only has four risks and none of these relate to reputation, managing DSG cost pressure or statutory service performance which we would expect to see. We note no progress on strengthening financial risks as recommended in prior year. We have raised a key recommendation on page 29. We also identified some improvements to internal audit and make an improvement recommendation on page 31. The Council's most recent external PSIAS assessment was in February 2024. It identified the Council mainly conforms to standards, but it needed to develop an internal audit manual and make specific linkages between the audit plan and its significant risks and strategic objectives and that it should retain planning records to demonstrate these linkages. The Code of Ethics and Declarations of Interest Statement could be adapted to include a conflict-of-interest management strategy and manager sign-off. We note the Whistleblowing Policy is dated June 2021 and is not updated to reflect the current organisational structure. The Council received a Whistleblowing allegation from Ofsted in June 2023. The Council did not follow initially its own process as it did not inform its human resources team, and it was originally investigated by an officer reporting to the Director being complained about. There was a subsequent review and a report to Ofsted which was partially upheld. We make an improvement recommendation on Whistleblowing on page 31, although we acknowledge there was an updated Whistleblowing Policy, which was formally approved by full Council in May 2024. It was then reported to Audit and Governance Board in September for information as part of the annual fraud and corruption update report. As this fell after our work for the arrangements to 31 March 2024, we will review the amendments as part of our work for 2024/25.	R
approaches and carries out its annual budget setting process	In our 2022/23 AAR, we reported the need for a more robust budget setting approach and the need for public budget engagement and included this in our statutory recommendation on financial sustainability. We have not seen any evidence of progress to date or clear plans to progress this recommendation. Budget holders are consulted as part of the budget setting process and the Council has a budget working group which reviews approved savings proposals. However, we would expect to see a more challenging process given the Council's financial position and the issues identified with unrealistic budget assumptions contributing to the Council's overspend position. We have therefore included this again in our statutory recommendation on short and medium-term financial planning on page 23 in the financial sustainability section of this report.	R

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

Governance (continued)

We considered how the Audited Body:	Commentary on arrangements	Assessment
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including significant partnerships	Executive Board receive quarterly reports on the Council's capital and revenue net spending and forecast outturn position. These include a clear summary of the in-year and forecast outturn position and reasons for any variances to plan. In our 2022/23 AAR, we reported that capital reports did not provide members with any performance and outcome measures for capital or reasons for budget variances and we raised an improvement recommendation. Management have advised that going forward, reporting to Executive Board and Policy and Performance Boards will contain expanded details regarding capital spending and narrative regarding the reasons for any significant variances against capital programme allocations. We will follow this up in our 2024/25 report to assess progress. The Council provides monthly reports for budget holders and in 2023/24 the Chief Executive introduced monthly transformation challenge items at the management team. Budget holders have this responsibility included in their job description. Budget guidelines are issued annually, and each manager has a dedicated finance officer to provide guidance and support. We noted a weakness in the Council's arrangements for monitoring savings in the financial sustainability section of this report and have included developing robust and transparent monitoring arrangements in our statutory recommendation on page 24.	G
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from Audit and Governance Board	In our AAR for 2022/23 we made a key recommendation relating to the Council's savings and transformation programme. We identified this programme as a risk of significant weakness for 2023/24 and undertook additional testing. We conclude that effective programme governance was not in place for the Council's three-year £20m transformation programme in 2023/24 and this continued into 2024/25. We find the lack of effective programme management has significantly impacted on the Council's financial sustainability in the short-term. We make a statutory recommendation on page 24 in the financial sustainability section of this report. We have identified the need for some improvements to the Council's arrangements to ensure it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. The Lead Member for Scrutiny meets regularly with the Scrutiny Officer and chairs the Scrutiny Chairs Group. This appointment is made annually. The Group meets quarterly to review their work programmes and prioritise staff capacity to support scrutiny and identify areas to improve and share emerging issues. However, we have identified improvements to the Council's scrutiny arrangements. We note there were no call in decisions in 2023/24 suggesting the lack of challenge. These Policy and Performance Boards meet after the Executive Board and only receive its minutes. Effective scrutiny requires earlier input and more detailed reporting to help inform decision-making and we make an improvement recommendation on page 32. In our 2022/23 AAR we made an improvement recommendation to recruit independent members onto the Council's Audit and Governance Committee. We note this is under consideration for 2025/26. The Council has 12 elected members on this Committee currently and it may wish to review its size alongside the adoption of two independent members to align with CIPFA's recommended guidance from 2022 and alongside a review of its terms of reference to also align with the CIPFA 2022 position statement on Audit and Governance Boards in local authorities. We make an improvement recommendation on page 32.	R

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Governance (continued)

We considered how the Audited Body:	Commentary on arrangements	Assessment
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.	Prior to April 2024 the Council had not reviewed business continuity arrangements since Covid-19 and these did not reflect the new way of working, but ICT did have a list of critical solutions. In 2023/24 the Council moved to Microsoft 365 which resulted in moving to the cloud. The Council did not update its arrangements for disaster recovery as part of this transition and these needed significant change in August 2024. We identify a significant weakness and make a key recommendation on page 30. We have identified areas for improvement in the Council's arrangements for how it monitors and ensures appropriate standards and where it procures or commissions services. In our 2022/23 AAR we recommended the Council undertakes a self-assessment against the CIPFA Financial Management Code. We note this was not completed in 2023/24. The Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. We make a further improvement recommendation on page 32. We note the role of the Standards Committee is undertaken by the Audit and Governance Committee. Members did not receive a formal written update on standards in 2023/24. Procurement waivers were not reported in the annual procurement update to the Audit and Governance Committee. We reviewed a sample of the member declarations of interest and those we reviewed were out of date by 3 years. We note declarations of interest were provided retrospectively for CMT members by email in April 2024. We have raised improvement recommendations on these points on page 32.	R

Governance (continued)

Significant weaknesses identified

Risk Management

Effective risk management is an essential part of the Council's control environment. It enables councils to improve governance, stakeholder confidence and trust; set strategy and plans through informed decision making; evaluate options and deliver programmes, projects, and policy initiatives; prioritise and manage resources, manage performance, resources and assets; and achieve outcomes.

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

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

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

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

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

Governance (continued)

Significant weaknesses identified (continued)

Business continuity and disaster recovery

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

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

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

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

Governance (continued)

Areas for improvement

Internal audit

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

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

- updating its audit manual which is a core part of the Council's control process.
- making links between the planned audits and identified risks to demonstrate how risk is informing the audit plan
- adapting the Code of Ethics and Declarations of Interest Statement to include a conflict-of-interest management strategy and manager sign-off.

Whistleblowing

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

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

We note there was an updated Whistleblowing Policy, which was formally approved by full Council in May 2024. It was then reported to Audit and Governance Board in September for information as part of the annual fraud and corruption update report. As this fell after our work for the arrangements to 31 March 2024, we will review the amendments as part of our work for 2024/25.

Governance (continued)

Areas for improvement (continued)

Scrutiny

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

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

Audit and Governance Committee

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

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

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

Declarations of interest

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

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

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Improving economy, efficiency and effectiveness

We considered how the audited body:	Commentary on arrangements	Assessment
uses financial and performance information to assess performance to identify areas for improvement	In our AAR for 2022/23 we raised a key recommendation on performance management and said the Council needed to significantly improve its performance management and ensure it had a golden thread in place and performance is consistently reported alongside nearest neighbours. In 2023/24 the Council had no corporate plan and was not reporting performance to the Executive for each of its directorates or in a consistent manner. We note the Council engaged residents on its priorities in 2023/24 and launched its new Corporate Plan in April 2024. The Council needs to report a corporate set of outcomes, SMART measures and KPIs quarterly to the Executive Board, integrated with risk and finance reporting. We identified gaps in performance reporting in 2023/24, that continued in 2024/25 and a lack of a consistent approach to benchmarking and a lack of measurable outcomes. Combined with no corporate plan in 2023/24 and systematic failings in its SEND service identified through the OFSED inspection in November 2023 we identify a significant weakness in the Council's arrangements for performance management and make a key recommendation on page 35.	R
evaluates the services it provides to assess performance and identify areas for improvement	In 20 to 24 November 2023, Ofsted and the Care Quality Commission delivered an area SEND inspection of Halton Local Area Partnership which identified widespread and/or systemic failings leading to significant concerns about the experiences and outcomes of children and young people with special educational needs and/or disabilities (SEND), which the local area partnership must address urgently. The report was published on 26January 2024. They will undertake a monitoring inspection in 18 months. In July 2024, the Council received an inadequate report from Ofsted in response to its May 2024 inspection. It identified significant deterioration in the quality of practice for children and young people. A lack of stable and effective leadership has led to shifting strategic priorities and an absence of continuous systematic improvement planning. This has been further compounded by weak governance arrangements, limited performance information and workforce instability. There has been insufficient pace in tackling the serious deficits identified at a focused visit in October 2021 for children in need of help and protection, and many of those weaknesses are still prevalent. There are serious and widespread weaknesses across the service. We have identified progress to address these weaknesses in 2024/25 although impact on outcomes is too early in our reporting. We have raised a key recommendation on page 36.	R

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

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Improving economy, efficiency and effectiveness (continued)

We considered how the audited body:	Commentary on arrangements	Assessment
ensures it delivers its role in significant partnerships and engages with stakeholders it has identified, to assess whether it is meeting its objectives	In September 2023, the Council became a member of the Integrated Care Partnership for Cheshire and Merseyside, to be known as the Cheshire and Merseyside Health and Care Partnership. This is a statutory joint committee and forms part of the structure of the new Integrated Care System set out in the Health and Care Act 2022. In July 2024 Ofsted identified partnerships were underdeveloped and weak governance arrangements have meant partners are not fully held to account for their role in helping children and young people. We refer to this in our key recommendation on children's services so do not repeat it here. Governance arrangements are being strengthened so that corporate parents and the safeguarding partnership can provide more robust challenge and scrutiny. An independent scrutineer has been appointed. Partnership arrangements were reviewed and codesigned with partners. The new arrangements launched in March 2024. There was a joint priority setting day in June 2024 with an agreed approach to partnership priorities over the next 3 years. We include this Ofsted finding in our key recommendation on performance for children and young people, so we do not report it here.	G
commissions or procures services, assessing whether it is realising the expected benefits	The Council has good arrangements in place for procurement evidenced by its social value work, and its preparation for the implementation of the Procurement Act 2023 which comes into force in October 2024. It has a robust process in place to agree waivers involving finance and other corporate services. However, there were more waivers in 2023/24 than in 2022/23: 107 waivers were approved in 2023/24 compared with 74 in 2022/23 and an internal audit report on the new leisure centre identified non-compliance with the Procurement Contract Regulations 2015. Property Services managed the procurement but did not publish the contract award on Contract Finder. The Council's contract management arrangements are variable, and these are not managed centrally. We reviewed the six highest value waivers from 2023/24 and only one included details of contract management and regular performance review. There is evidence of using contractors over longer periods rather than using competitive processes. For example, the Integrated Sensory Support Service ran for six years to 30 June 2024. In March 2024, the Executive Board extended this for a further five years. This was also agreed prior to amending the service specification to reflect service priorities. An Internal Audit report on electric vehicle charging points identified no formal contractual arrangements with the supplier of on-street charging points. We make an improvement recommendation on page 37. However, there is also some evidence of the Council securing value for money. In 2023/24 the Council implemented Microsoft 365 but extracting its cyber data was considered too costly, so the Council bought an MDR solution for a five-year period using a framework and negotiated with the top two providers to reduce cost.	A

Improving economy, efficiency and effectiveness (continued)

Significant weaknesses identified

Performance management

In our AAR for 2022/23 we raised a key recommendation on performance management and said the Council needs to significantly improve its arrangements for performance management and ensure it has a golden thread in place and performance is consistently reported alongside nearest neighbours. In both 2022/23 and in 2023/24 the Council had no corporate plan. The Council needs to have a suite of corporate performance information reported to the Executive Board aligned with risk and finance reporting. We note the Council did hold resident engagement on its priorities in 2023/24 and launched its new Corporate Plan in April 2024.

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

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

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

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Improving economy, efficiency and effectiveness (continued)

Significant weaknesses identified (continued)

Children's Services

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

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

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

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

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

Improving economy, efficiency and effectiveness (continued)

Areas for improvement

Contract Management

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

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

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

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

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

Recommendations raised in 2023/24

	Recommendation	Type of recommendation*	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
KR1	The Council should put sufficient plans in place to address its escalating forecast DSG deficit, while delivering the necessary improvements to its SEND services. The Council's plans should ensure it has appropriate contingency in place if the Government's statutory override is not extended in March 2026.	Key	Financial sustainability	Review of key documents, including the Council's Delivering Better Value grant application.	The Council's forecast DSG deficit in 2026 is more than it currently holds in usable reserves. The Council does not have a contingency plan in place if the Government's statutory override is not extended in March 2026 which is not guaranteed. This presents a significant risk to the Council's financial sustainability in the medium-term.	**Actions:** Agreed. The financial aspects of the DSG deficit forecasts will form part of the Medium Term Financial Plan, including highlighting risks around the statutory override. **Responsible Officer:** Director of Finance **Executive Lead:** Head of Revenues & Financial Management **Deadline:** 31st March 2025
KR2	The Council needs to significantly improve its risk strategy, improve the CRR and ensure officers and members are reviewing strategic and directorate risks at least quarterly and ensuring risk is adequately considered in financial reporting.	Key	Governance	Review of risk policy and the CRR.	Effective risk management is an essential part of the Council's control environment. It enables councils to improve governance, stakeholder confidence and trust; set strategy and plans through informed decision making; evaluate options and deliver programmes, projects, and policy initiatives; prioritise and manage resources, manage performance, resources and assets; and achieve outcomes.	**Actions:** Agreed. The Council recognises the importance of managing risk and whilst it is considered it has reasonable arrangements in place, the opportunity will be taken to review its arrangements and seek to make improvements where appropriate in line with the recommendations. **Responsible Officer:** Corporate Director, Chief Executives Delivery Unit **Executive Lead:** TBC **Deadline:** 31st December 2024

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

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Recommendations raised in 2023/24

	Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
KR3	The Council needs to urgently update its arrangements for business continuity and disaster recovery planning.	Key	Governance	Interview with ICT	The Council has no current arrangements for business continuity or disaster recovery which could impact the whole council.	**Actions:** Agreed. The Council will review and update its business continuity and disaster recovery plans to reflect current ICT arrangements as recommended. **Responsible Officer:** Director of ICT & Customer Services **Executive Lead:** TBC **Deadline:** 31st March 2025
IR1	The Council needs to enhance its internal audit arrangements by: • updating its audit manual which is a core part of the Council's control process. • making links between the planned audits and identified risks to demonstrate how risk is informing the audit plan • adapting the Code of Ethics and Declarations of Interest Statement to include a conflict-of-interest management strategy and manager sign-off.	Improvement	Governance	PSIAS external review	Internal audit is a key element of the Council's internal controls.	**Actions:** Agreed. The Council will review its Internal Audit arrangements and enhance them by taking on board the recommendations as considered appropriate. **Responsible Officer:** Head of Procurement, Audit & Operational Finance **Executive Lead:** Audit & Investigations Manager **Deadline:** 31st March 2025

Recommendations raised in 2023/24

	Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR2	The Council needs to update its Whistleblowing Policy. It also needs to ensure it is understood and officers follow the correct processes. We note there was an updated Whistleblowing Policy, which was formally approved by full Council in May 2024. It was then reported to Audit and Governance Board in September for information as part of the annual fraud and corruption update report. As this fell after our work for the arrangements to 31 March 2024, we will review the amendments as part of our work for 2024/25.	Improvement	Governance	Whistleblowing Policy, Ofsted investigation	Whistleblowing is a key element of the Council's internal controls.	**Actions:** Agreed. The Council's whistleblowing arrangements will be reviewed annually and communicated to officers, to ensure it remains effective. **Responsible Officer:** Head of Procurement, Audit & Operational Finance **Executive Lead:** Audit & Investigations Manager **Deadline:** 31st March 2025
IR3	The Council needs to review its overview and scrutiny arrangements to provide earlier engagement of scrutiny to enhance decision-making and ensure scrutiny receive reports for consideration to provide an opportunity for challenge.	Improvement	Governance	Review of scrutiny meetings and reports and email from the monitoring officer.	Scrutiny is insufficiently developed and integrated into Council decision-making.	**Actions:** Agreed. The Council's scrutiny processes will be reviewed via the members scrutiny chairs group, to develop and enhance the Council's scrutiny arrangements. **Responsible Officer:** Director of Legal & Democratic Services **Executive Lead:** Director of Legal & Democratic Services **Deadline:** 31st March 2025

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Recommendations raised in 2023/24

	Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR4	The Council should enhance the effectiveness of its Audit and Governance Committee by: • appointing independent members to provide expertise in areas like transformation. • reviewing its terms of reference to align with the CIPFA 2022 Code of Practice on Audit and Governance Boards. • ensuring procurement waivers are reported on an annual basis. and • formalising reporting on standards investigations.	Improvement	Governance	Review of committee papers, membership and terms of reference	Internal audit is a key element of the Council's internal controls and it needs to align its Committee with CIPFA 2022 Code of Practice on Audit and Governance Boards.	**Actions:** Agreed. The Audit and Governance Board will be asked to consider co-opting independent members onto the Board, its terms of reference will be reviewed against the CIPFA Code of Practice, a summary of procurement waivers will be reported annually, and standards matters will continue to be reported to the Board. **Responsible Officer:** Director of Finance and Director of Legal & Democratic Services **Executive Lead:** Head of Procurement, Audit & Operational Finance and Director of Legal & Democratic Services **Deadline:** 31st March 2025
IR5	The Council needs to improve its arrangements for member and officer declarations of interest by updating member and officer declarations annually at the start of each year.	Improvement	Governance	Review of declarations of interest.	Not having up to date declaration of interest presents a risk to the Council	**Actions:** Agreed. The Council recognises the importance of having an up to date declaration of interests and will take steps to ensure its arrangements are robust. **Responsible Officer:** Director of Legal & Democratic Services **Executive Lead:** Director of Legal & Democratic Services **Deadline:** 31st March 2025

Recommendations raised in 2023/24

	Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
KR4	The Council needs to improve its performance management arrangements by: • establishing a golden thread for the Council, by improving the performance management framework at corporate and service levels linking outcomes to expected annual measures to track success and reporting these to the public. • agreeing performance outcomes, that can be measured, at least annually as part of the new performance management framework. • improving performance reporting to include benchmarking with 'nearest neighbours' data where possible; • integrating performance, risk and finance reporting to drive improvement and sharing these reports quarterly with the Executive Board. • ensuring consistency across directorates regarding the reporting of corporate performance data to enable outcomes to be tracked.	Key	3Es	Review of committee papers, corporate plan, performance reports	The Council needs to significantly improve its arrangements for performance management and ensure it has a golden thread in place and performance is consistently reported alongside nearest neighbours. In 2023/24 the Council did not have a corporate plan in place. The Council needs to have a suite of corporate performance information reported to the Executive Board aligned with risk and finance reporting.	**Actions:** Agreed. Following implementation of the Council's new Corporate Plan and Values Framework which are underpinned by a core set of Key Performance Indicators, the Performance Management Framework has been developed which will link to the new Corporate Priorities and the reporting regime is in place which will form the first two levels of the 'Golden Thread' within the Council. **Responsible Officer:** Corporate Director, Chief Executives Delivery Unit **Executive Lead:** TBC **Deadline:** 31st December 2024

Recommendations raised in 2023/24

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

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Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

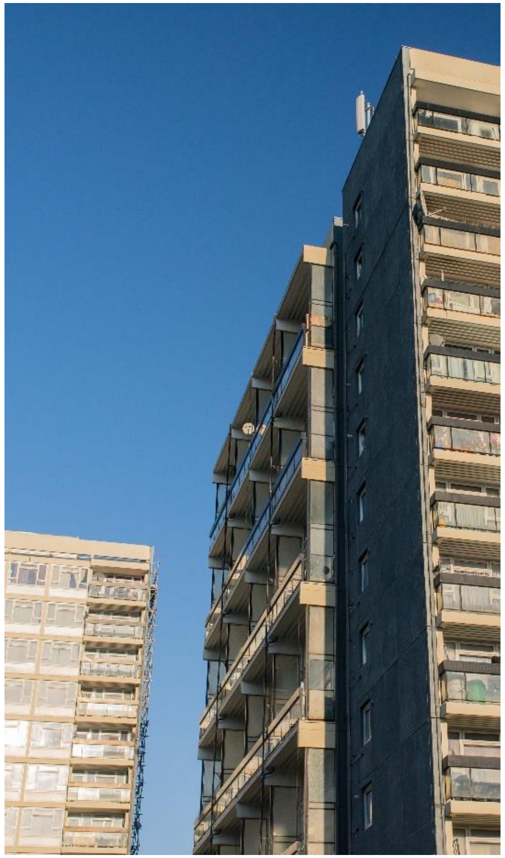
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

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



Appendix B: Value for Money Auditor responsibilities

Value for Money arrangements work

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

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

Under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

Financial Sustainability	Governance	Improving economy, efficiency and effectiveness
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).	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.	Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

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

Phase 1 – Planning and initial risk assessment

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

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

Phase 2 – Additional risk-based procedures and evaluation

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

Phase 3 – Reporting our commentary and recommendations

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

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

Appendix C: Follow-up of previous recommendations

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

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

Appendix C:
Follow-up of previous recommendations

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

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

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Appendix C:
Follow-up of previous recommendations

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

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

Grant Thornton

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REPORT TO:	Audit and Governance Board
DATE:	20 November 2024
REPORTING OFFICER:	Director - Finance
PORTFOLIO:	Corporate Services
SUBJECT:	Review of Audit and Governance Board Terms of Reference
WARD(S)	Borough wide

1.0 **PURPOSE OF THE REPORT**

1.1 The terms of reference of the Audit and Governance Board are set out in the Council Constitution and govern which matters are within the remit of the Board. It is best practice for the Board's terms of reference to be subject to regular review to ensure that they remain fit for purpose and are compliant with the latest guidance.

1.2 The review of the terms of reference has also been prompted by the recent external assessment of the Council's internal audit arrangements, which included a recommendation that the Board's terms of reference be aligned with that suggested by the Chartered Institute of Public Finance and Accountancy (CIPFA).

1.3 The Council's external auditor, in the Annual Audit Report for the year ended 31 March 2024, also included an improvement recommendation that the Audit and Governance Board should enhance its effectiveness by appointing independent members to provide expertise in areas like transformation. It was also suggested that the Council review the Board's term of reference in line with best practice.

1.3 A proposed terms of reference for the Board has therefore been developed in accordance with the model terms of reference recommended by CIPFA in its publication 'Audit Committees: Practical Guidance for Local Authorities and Police (2022 edition)'.

2.0 **RECOMMENDATIONS:**

That the Board:

1) **considers the revised terms of reference for the Board, which aligns with CIPFA recommended practice; and**
2) **delegates authority to the Chair to finalise any proposed amendments prior to submission to Full Council for approval.**

3.0 **SUPPORTING INFORMATION**

3.1 The Audit and Governance Board acts as the Council's audit committee. CIPFA defines the purpose of an audit committee as being to provide those charged with governance, independent and high-level focus on the adequacy of governance, risk, and control arrangements. By doing this, and by overseeing both internal and external audit, it makes an important contribution to ensuring that effective assurance arrangements are in place.

3.2 CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022 represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt.

3.3 CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting, and internal audit.

3.4 The role of an audit committee also helps to satisfy the wider requirement for sound financial management, as set out in the Accounts and Audit Regulations. This requirement is to ensure that the financial management of the body is adequate and effective. It is also to ensure that the body has a sound system of internal control, including arrangements for the management of risk, to facilitate the effective exercise of that body's functions.

3.5 In addition, Section 151 of the Local Government Act 1972 requires the Council to make arrangements for the proper administration of its financial affairs. In discharging sound financial management, the Section 151 Officer requires an effective audit committee to evaluate the effectiveness of the organisation's risk management, control, and governance processes.

3.6 Revised terms of reference are proposed for the Board based upon the best practice model guidance developed by CIPFA. These can be found at Appendix A.

3.7 Under the proposals, the core functions of the Audit and Governance Board remain unchanged, although some areas of responsibility are broken down into more detail in accordance with CIPFA recommended practice. The Board's role remains focused on ensuring there is sufficient assurance over the Council's governance, risk management and control arrangements. The Board also retains responsibility for oversight of both internal and external audit, together with financial reporting and governance reporting.

3.8 The most notable proposed changes to the terms of reference relate to the composition of the Board, and clarifying its meeting and reporting arrangements.

3.9 In accordance with the CIPFA guidance, it is proposed that:

- Members of the Board shall not include any members of the Executive Board to ensure independence.

- The Chair and Vice Chair of the Board shall be independent of Executive Board and shall not be a Chair of a Policy and Performance Board.

- The Board will be given the option to appoint a qualified co-opted independent member to provide additional expertise.

- The Board shall comprise seven elected members (CIPFA recommends a committee size of no more than eight members).

- The circumstances under which additional meetings of the Board may be convened are formally set out in the terms of reference.

- Opportunity is provided for the Board to meet in private with internal and external audit, if required.

- The Chair of the Board shall report directly to Full Council.

- A statement of purpose is added to provide a summary of the key responsibilities of the Board.

3.10 It should be noted that the revised terms of reference retains the Board's responsibility for oversight of member standards. This is a departure from the CIPFA model. It is however an arrangement that is also in place at various other local authorities. The Board's responsibility for oversight of member standards has worked well, and is not considered to have compromised its role as the Council's audit committee.

3.11 Subject to agreement by the Board, the revised terms of reference will be put forward as part of the current year's review of the Council Constitution. Formal approval of the terms of reference will then be sought from Full Council in May 2025, with the new arrangements being implemented in the next municipal year.

4.0 **POLICY IMPLICATIONS**

4.1 The proposed amendments to the terms of reference have been made with reference to CIPFA guidance. There are no direct policy implications.

5.0 **FINANCIAL IMPLICATIONS**

5.1 There are no direct financial implications associated the recommendations in this report. The proposed revisions to the terms of reference will support the Audit and Governance Board in having effective oversight of the Council's financial governance arrangements.

6.0 **IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

6.1 **Improving Health, Promoting Wellbeing and Supporting Greater Independence**

Effective governance, risk management and control arrangements are important in terms of the delivery of all the Council's priorities. Updating the terms of reference of the Audit and Governance Board in line with best practice supports the Board's role in ensuring that there is sufficient assurance over these arrangements.

6.2 **Building a Strong, Sustainable Local Economy**

See 6.1

6.3 **Supporting Children, Young People and Families**

See 6.1

6.4 **Tackling Inequality and Helping Those Who Are Most In Need**

See 6.1

6.5 **Working Towards a Greener Future**

See 6.1

6.6 **Valuing and Appreciating Halton and Our Community**

See 6.1

7.0 **RISK ANALYSIS**

7.1 The proposed amendments to the terms of reference support the Audit and Governance Board's role in reviewing and providing assurance over the Council's risk management arrangements.

8.0 **EQUALITY AND DIVERSITY ISSUES**

8.1 There are no direct equality and diversity issues arising from this report. The report focuses on governance matters and the recommendations do not directly impact on residents.

9.0 **CLIMATE CHANGE IMPLICATION**

9.1 None arising from this report.

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

Document	Place of Inspection	Contact
CIPFA – Audit Committees: Practical Guidance for Local Authorities and Police (2022 Edition)	Halton Stadium, Widnes	Merv Murphy

APPENDIX A

PROPOSED AMENDMENTS TO THE AUDIT AND GOVERNANCE BOARD TERMS OF REFERENCE

Composition, meetings, and reporting arrangements

1. The membership of the Board shall not include any members of the Executive Board.

2. The Audit and Governance Board will comprise:
   - Seven elected members in accordance with the current political balance rules.
   - A qualified independent member, who will be a non-voting member.

3. A minimum of three elected members of the Audit and Governance Board must be present for the meeting to be deemed quorate.

4. The Chair and Vice Chair of the Audit and Governance Board will be independent of the Executive Board and will not be a Chair of a Policy and Performance Board.

5. The Audit and Governance Board shall meet four times a year. The Chair of the Board may convene additional meetings as they deem necessary.

6. The Head of Paid Service, the Section 151 Officer, the Monitoring Officer, or the Head of Internal Audit may ask the Chair of the Audit and Governance Board to convene further meetings to discuss issues on which they wish to seek the Board's advice.

7. Meetings will be open to the public, but the public may be excluded where information of an exempt nature is being discussed.

8. The Board, External Audit, and the Head of Internal Audit shall have the opportunity for private discussions without the Section 151 Officer or other officers present if issues need exploring in such a forum.

9. The Chair of the Audit and Governance Board reports to Full Council, as necessary.

Statement of purpose

10. The Board's purpose is to provide an independent and high-level focus on the adequacy of governance, risk, and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to the Council that those arrangements are effective.

11. The Board has responsibility for oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

12. The Board also has responsibility for oversight of member standards.

<u>Powers and duties</u>

Governance, risk, and control

13. To review the Council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of corporate governance.

14. To monitor the effective development and operation of risk management in the Council.

15. To monitor progress in addressing risk-related issues reported to the Board.

16. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

17. To consider reports on the effectiveness of financial management arrangements including compliance with CIPFA's Financial Management Code.

18. To consider the Council's arrangements to secure value for money, including the Council's procurement arrangements, and review assurances and assessments on the effectiveness of these arrangements.

19. To review the governance and assurance arrangements for significant partnerships or collaborations.

Governance reporting

20. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the Head of Internal Audit's opinion.

21. To consider whether the annual evaluation of the Annual Governance Statement fairly concludes that the arrangements are fit for purpose, supporting the achievement of the Council's objectives.

Financial reporting

22. To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.

23. To review and approve the annual statement of accounts and specifically to consider whether appropriate accounting policies have been followed, and whether there are concerns arising from the financial statements or audit process that need to be brought to the attention of the Council.

24. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

External Audit

25. To recommend to Full Council the appointment of the Council's External Auditors under the Local Audit and Accountability Act 2014 and provide assurance that the External Audit team's independence is safeguarded.

26. To consider the External Auditor's annual letter, relevant reports, and the report to those charged with governance.

27. To consider specific reports as agreed with the External Auditor.

28. To support the quality and depth of external audit process and to ensure that it gives value for money.

29. To commission additional work from external audit as required.

30. To advise and recommend on the effectiveness of relationships between external audit and internal audit, and other inspection agencies or relevant bodies.

Internal Audit

31. To approve the internal audit charter.

32. To review proposals made in relation to the provision of internal audit services and to make recommendations

33. To approve the risk-based internal audit plan, including internal audit's resource requirement, the approach to using other sources of assurance, and any work required to place reliance upon those other sources.

34. To approve significant interim changes to the risk-based internal audit plan and resource requirements.

35. To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.

36. To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Internal Audit. To approve and periodically review safeguards to limit such impairments.

37. To consider reports from the Head of Internal Audit on internal audit's performance, including the performance of external providers of internal audit services if applicable. This will include:

    - Updates on the work of internal audit including key findings, issues of concern, and action in hand as a result of internal audit work

- Reports on the results of the Quality Assurance and Improvement Programme

- Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application

38. To consider the Head of Internal Audit's annual report, specifically:

    - The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement (to provide assurance over the reliability of the conclusions of internal audit)

    - The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion (to assist the Board in reviewing the Annual Governance Statement)

39. To consider summaries of specific internal audit reports.

40. To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the Council, or there are concerns about progress with the implementation of agreed actions.

41. To contribute to the external assessment of internal audit that takes place at least once every five years.

42. To support the development of effective communication with the Head of Internal Audit, including providing free and unfettered access to the Chair of the Audit and Governance Board.

Counter fraud and corruption

43. To review the assessment of risks and potential harm to the Council from fraud and corruption.

44. To review, approve and monitor the Council's counter-fraud policies and strategies, counter fraud activity, and associated resourcing.

Standards

45. To promote and maintain high standards of conduct by the members and co opted members of the authority.

46. To assist members and co-opted members of the authority to observe the authority's Code of Conduct.

47. To advise the authority on the adoption or revision of the Code of Conduct.

48. To monitor the operation of the authority’s Code of Conduct.

49. To advise, train or arrange to train members of the authority on matters relating to the authority’s Code of Conduct.

50. To maintain a Hearings Panel (comprised of 3 members of the Board drawn from 2 political groups if possible) to hear allegations made against an Elected Member or a Parish Councillor within the Borough Council’s area.

51. To investigate or arrange investigation of any complaints made by Members, Officers, or members of the public in relation to the authority’s Code of Conduct.

52. To decide disciplinary matters within the competence of the Committee.

53. To consider applications from local authority employees for exemption from political restriction in respect of their posts.

54. Where appropriate, to issue directions requiring a local authority to include a post in the list of politically restricted posts it maintains.

55. To give general advice, following consultation with appropriate parties, on the application of criteria for designation of a politically restricted post.

56. To consider applications for dispensations from Members where appropriate.

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