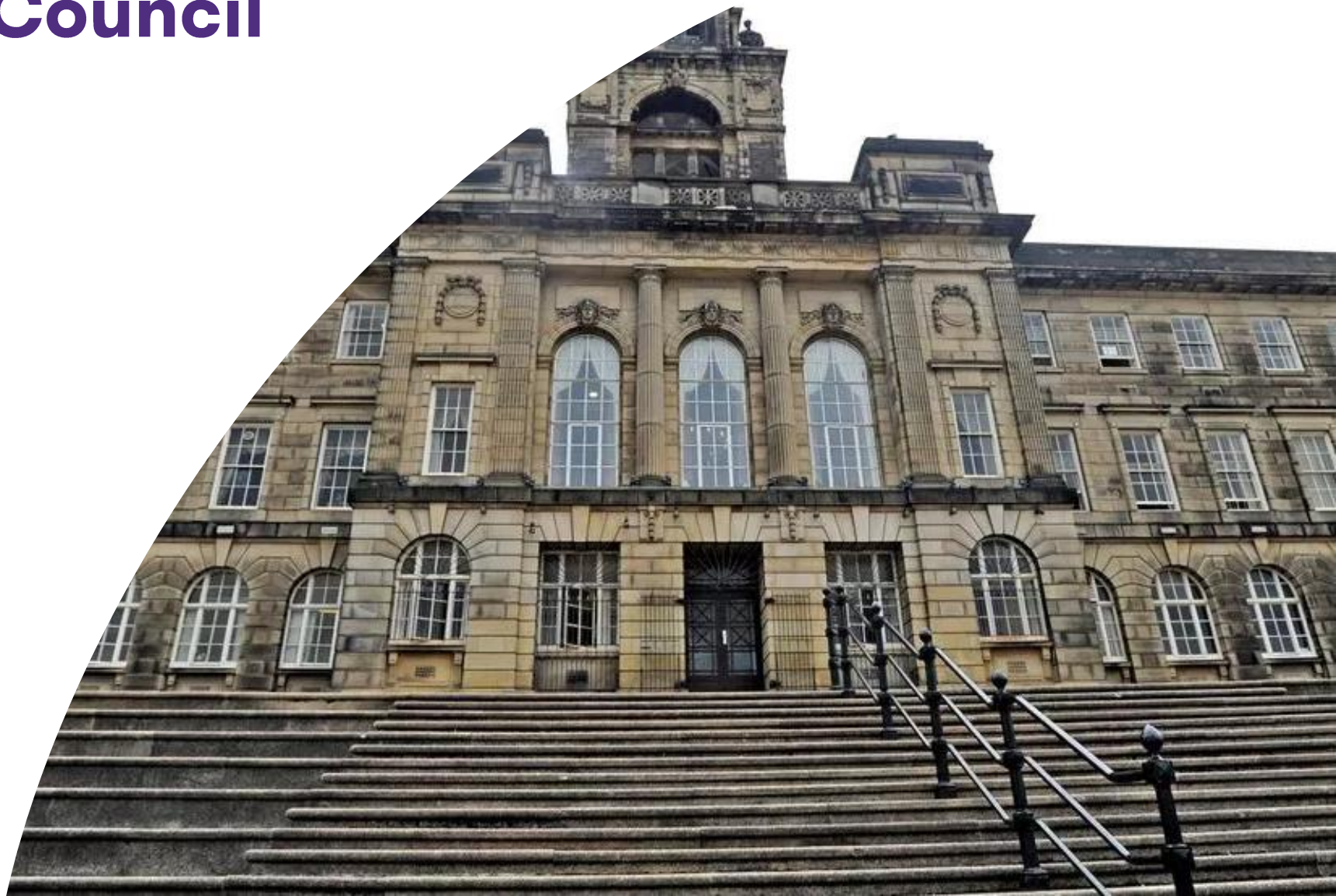


Auditor's Annual Report on Wirral Council

2022/23

March 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.



Section	Page
Executive summary	03
Use of auditor's powers	06
Key recommendations	07
Securing economy, efficiency and effectiveness in its use of resources	09
The current LG landscape	10
Financial sustainability	11
Financial governance	19
Improvement recommendations	20
Governance	22
Improvement recommendations	29
Improving economy, efficiency and effectiveness	31
Improvement recommendations	43
Follow-up of previous recommendations	47
Opinion on the financial statements	51
Other reporting requirements	53
Appendices	
Appendix A – Responsibilities of the Council	55
Appendix B – An explanatory note on recommendations	56

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment at initial audit planning stage	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	The Council continues to face financial challenges. There is a challenging savings target for 2023/24. The Council has an ambitious Capital Programme.	R Significant weaknesses in arrangements identified. One Key and two improvement recommendations are made in relation to these.	R Significant weaknesses in arrangements identified. One key and four improvement recommendations made.	↑
Governance	There are a number of entities which operate within the Council's group boundary, which has undergone a number of changes.	A No significant weaknesses in arrangements identified, but two improvement recommendations made.	A The Council has, as planned, addressed the significant weakness. We have raised two further improvement recommendations.	↔
Improving economy, efficiency and effectiveness	The Council has made the decision to bring the provision of social care services back in house which may lead to additional costs.	A No significant weaknesses in arrangements identified, but four improvement recommendations made.	A No significant weaknesses in arrangements identified, but three improvement recommendations made.	↔

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)



Financial sustainability

Local Authorities are operating in an extremely challenging financial environment following a decade of austerity and spending pressures. The financial impacts of the pandemic are still ongoing and may take many years to unwind.

The Council is recovering from a period of significant financial challenges. The Department for Levelling Up, Housing and Communities (DLUHC) Exceptional Financial Support (capitalisation directive) that had been in place for the two previous financial years no longer existed in 2022/23 and the Council has been successful in balancing the budget.

In June 2022 the Chief Executive introduced the first update report of Wirral's Independent Assurance Panel, which was set up to oversee the Council's improvement in response to the external assurance review commissioned by DLUHC. The Chair of the Panel outlined the positive steps that the Council had taken to its improvement including achieving the £18 million budget savings for 2022/23.

The Council have taken a number of steps to improve financial planning, management and budget monitoring including restructuring of the Finance Team and strengthening Committee oversight.

However, there are a number of signs of financial stress that indicate a threat to its financial sustainability in the short and medium term. We have therefore concluded that the identified significant weaknesses in the Council's arrangements remains.

The significant use of earmarked reserves and forecast future reserves balance is of major concern. Increased use of reserves and deteriorating balances may undermine the Council's ability to be financially sustainable in meeting its commitments in the short and medium term.

Indicators of financial stress include the following (but not limited to):

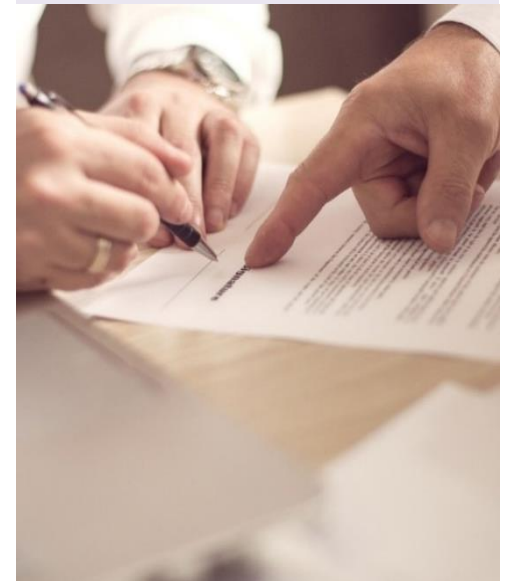
- An adverse 2022/23 Outturn position of £13.3m which was supported by earmarked reserves to report a balanced outturn.
- A forecast adverse outturn position in 2023/24.
- Reducing levels of reserves. The 2023/24 to 2026/27 MTFS forecasts that at March 2024 the general and earmarked usable reserves balances could reduce to £52.8 million.
- Uncertainty around the Dedicated Schools Grant deficit balance: If the statutory override is not extended or financial support forthcoming to reduce the financial deficit, it will place additional significant pressure on the Council's reserves.
- There is a Capital Programme affordability risk due to increasing costs and additional pressures of programme slippage.
- High levels of debt and in year borrowing to balance cashflow pressures.

We have raised a key recommendation shown on page 7 and improvement recommendations on pages 20 – 21 to reflect the challenges faced.



Financial Statements opinion

We have completed our audit of your 2022/23 financial statements and issued an unqualified audit opinion on 16 February 2024. Our findings are set out in further detail on pages 52.



Executive summary (continued)



Governance

The Council is making good progress in implementing the recommendations arising from external governance reviews and notes a significant shift in culture and behaviour enabling improved governance and decision making. Actions have been taken following the Ada Burns report to review governance arrangements, with a revised committee structure being put in place for 2022/23 and whole council elections in May 2023

Arrangements are in place to ensure that all relevant information is provided to decision makers before major decisions are made and for the challenge of key strategic decisions before they are taken. The Council has in place a Committee model of Governance; supported by the Constitution which includes the principles of decision making and the rules, codes and protocols that govern how the Council operates.

The arrangements have been reviewed and further strengthened with the introduction of a Corporate Coordination Group. This is attended by the Deputy Monitoring Officer and Head Democratic Services with specialist representation from Law, Equalities and Finance. Report authors present to this forum prior to Senior Director oversight and Statutory Officer approval. In addition a member oversight and review group has been established to enable Leader briefing prior to full publication. Directors have also provided workshops and briefing sessions for Members to assist Members to better understand a service context before receiving a report that requires a decision, for example in respect of strategic acquisitions.

The Council has appropriate arrangements in place to identify and manage risks and adequate arrangements are in place to provide Internal Audit and Local Counter Fraud Services.

Our work has not identified any significant weaknesses; but improvement recommendations have been made to further enhance and strengthen the processes in place. These can be found on pages 29 to 30 of this report.



Improving economy, efficiency and effectiveness

Wirral's strategic ambition and priorities for the Borough were brought together in September 2021 when the Council agreed the Wirral Plan 2021 - 26. The Plan set out the future vision for the Borough based on five thematic priorities. The plan was refreshed for 2022/23 but the priorities remained the same. We noted that the Council has processes in place to monitor and report upon its Directorate performance and is developing regular performance reporting against the Council Plan.

The Council continues to work closely with local partners such as the Cheshire and Merseyside Health and Care Partnership and Liverpool City Region Combined Authority.

The Council also has a large scale and ambitious regeneration programme, which has included the acquisition of the Pyramids/Grange Shopping centre in 2022/23. Key major developments have been designed to bring improved living standards and economic benefits to the borough but may also carry with them a degree of risk and uncertainty to the Council.

Our work has not identified any significant weaknesses; but improvement recommendations have been made to further enhance and strengthen the processes in place. These can be found on pages 43 to 47 of this report.



Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by Council officers, Council Members and external stakeholders with whom we have engaged during the course of our review.

Use of auditor's powers

We bring the following matters to your attention:

2022/23

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 did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

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 did not issue 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 did not make 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 did not issue 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 did not make an application for judicial review.

Key recommendation

Key Recommendation 1

Given the continued level of financial stress the Council is facing, all members need to ensure that there is a robust response to the financial matters highlighted and that officers are supported in making the changes needed.

Identified significant weakness in arrangements

Signs of financial stress that indicate a threat to its financial sustainability in the short and medium term.

Summary findings

Indicators of financial stress include the following:

- Reserves: Wirral Council has the second lowest level of General Fund and non-schools earmarked general fund reserves when benchmarked against 23 other Metropolitan Boroughs nationally

The significant use of earmarked reserves and forecast future reserves balance is of major concern. The Council's Earmarked Reserves have decreased during 2022/23 reflecting their budgeted use and the requirement for utilisation to fund the in year and year-end overspend. The Council had £97.2 million in Earmarked Reserves at 01 April 2022 and almost half were used in 2022/23 for the activities for which they were established. The Council contributed £18.5 million to reserves in year, which provided a 2022/23 year end balance of £72.3 million. Quarter 2 reporting documents that more than a quarter of this will be spent in 2023/24, on the activities for which they were established.

Longer term reliance on using reserves to balance overspending will not be sustainable. The forecast balance at March 2024 of general and earmarked usable reserves is £52.8 million

- 2022/23 Outturn - £13 million against a total net revenue budget of £330.6 million; this is an adverse variance of 4%.
- 2023/24 Delivery – Quarter 2 forecasting a projected year end net overspend of £7.2 million.
- There is a Capital Programme affordability risk due to increasing costs and additional pressures of programme slippage.
- High levels of debt and in year borrowing to balance cashflow pressures.
- Large levels of commercial investment
- Uncertainty around the Dedicated Schools Grant deficit balance.

Criteria impacted by the significant weakness



Financial sustainability



Governance



Improving economy, efficiency and effectiveness

Auditor judgement

The Council has improved and strengthened its organisational approach to financial planning and setting the annual budget. However, we have identified a significant weakness in the Council's arrangements because there are a number of signs of financial stress that indicate a threat to its financial sustainability in the short and medium term and have raised a key recommendation to reflect the challenge faced.



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

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

Key recommendation (continued)

Management comments

The Council is working very closely with members on service and statutory committees to ensure all key financial matters are addressed. 2023/24 has seen an increased involvement in member engagement in such matters and decision making has been collaborative throughout key decisions. Further work through directors will continue to ensure financial risks are identified and risk to the reserves is understood.

In December 2022, the statutory override that separated DSG deficits from the authority's wider finances was extended for a further 3 years and is due to expire at the end of 2025/26. The Schools Forum on 23 January 2024 agreed that schools and the authority will endeavour to find further mitigations during 2024/25.

In a recent letter to P&R, the Panel chair said they are now reassured the council "will be able to set a balanced budget for 2024/25" and that the gaps for the subsequent two years will be "manageable and that savings will be identified". The Chair concluded by noting that once the council has set a budget for 2024-25, the Panel anticipates it will be able to stand down.



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

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

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

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

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

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

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



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

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

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 11 to 47.

The current LG landscape



National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

Financial Sustainability



We considered how the Council:

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

The Council has improved and strengthened its organisational approach to financial planning and setting the annual budget. However, we have identified a significant weakness in the Council's arrangements because there are a number of signs of financial stress that indicate a threat to its financial sustainability in the short and medium term and have raised a key recommendation to reflect the challenge faced.

2022/23 Financial Performance

The Council is operating in an extremely challenging financial environment. The financial impacts of the pandemic, and the increasing costs of inflation are still ongoing and may take many years to unwind.

Wirral Council approved its revenue budget for 2022/23 (incorporating the MTFs 2022/23 to 2026/27) in February 2022. The annual budget for the year was set at £330.6 million. The revenue outturn position; reported to Policy and Resources Committee in June 2023, showed an overspend of £13 million, comprising a funding variance of £1 million and service overspend of £12 million this is an adverse variance of 4%.

From review of committee papers, we note that this is an improved outturn position of £0.392 million when compared with the Quarter 3 budget monitoring year-end forecast.

The overspend was mitigated by £10 million use of reserves and a £3 million contingency budget, which delivered a balanced outturn position.

There were some significant adverse variances to the budget. The key variances in service outturn were Neighbourhood Services with a £9.5 million overspend and Children, Families and Education Services of £3.5 million. The ongoing impact of Covid 19, combined with cost of living pressures has been significant in these service areas, with Council-wide inflationary pressures of £7.3 million. Further detail is provided on the following pages on this report.

We note that all variances are clearly set out within the budget outturn report and from review we can evidence where the Council has instigated further action or investigation.

Service Area Over / Underspends 2022/23:

Service Area	Variance Over / Underspend (-) £000	% of budget
Children, Families & Education	3,471	4
Adult Social Care	(345)	-0.3
Law & Governance	188	3
Chief Executive Office	73	4
Neighbourhood Services	9,467	20
Regeneration and Place	(94)	-0.2
Resources	(790)	-2
Total : Services	11,970	4

Financial Sustainability (continued)

Financial Resilience

Neighbourhood Services – £9.467 million overspend

Neighbourhood Services has experienced some significant challenges during 2023/23 including shortfalls in income collection alongside unpredicted inflationary pressures:

	Budget	Outturn	Variance		Adverse/ Favourable
	£000	£000	£000	% (+ Fav / - Adv)	
Cross Cutting funding & Neighbourhoods Management Team	-5,959	-5,950	-9	0%	Adverse
Community Safety and Transport	3,363	4,028	-665	-20%	Adverse
Highways and Infrastructure	5,269	7,863	-2,594	-49%	Adverse
Leisure, Libraries and Customer Engagement	7,611	12,844	-5,233	-69%	Adverse
Parks and Environment	35,905	36,871	-966	-3%	Adverse
Directorate Surplus / (Deficit)	46,189	55,656	-9,467	-20%	Adverse

Leisure, Libraries and Customer Engagement:

An adverse variance of £5.233 million is reported for 2022/23. This is this is an adverse variance of 69% and includes (but is not limited to):

- £1.293 million within Sports and Recreation (Leisure) relating to income pressures.
- £2.054 million within Theatre, Hospitality and Catering services, mainly relating to income pressures.
- £0.635 million relating to energy pressures due to inflationary increases.

Overall footfall is approximately 75% of 2019/20 levels which has adversely impacted income generation. This level of reduced recovery rate is consistent with national averages. At the start of the year, it was expected that income would not fully recover to pre pandemic levels and as such a £0.5 million income contingency budget was set aside. This has been used to mitigate the overall position within Floral Pavilion.

The 2022/23 budget required Neighbourhood Services to achieve planned savings of £5.251 million. £3.484 million was delivered and a further £0.519 million through mitigation. However, £1.248 million was delayed or unachieved in year.

We reviewed the 2023/24 period 6 financial monitoring report presented to Policy and Resources Committee in November 2023. This shows that the service is forecasting an overspend outcome position at year end of £5.133 million. It reports that the projected adverse position is in part impacted by macroeconomic factors which mean some historic income and savings targets are now unviable. Alternative options for service delivery have been considered previously and will be reviewed to assist in mitigating the current position. Some significant areas of note include:

- Neighbourhoods Management: an adverse variance of £1.951 million is forecast for 2023/24.
- Leisure, Libraries and Customer Engagement: – an adverse variance of £0.977 million is forecast for 2023/24. £1.330 million relates to Theatre and Hospitality. This represents a projected improvement on 2022/23 position of circa £0.610 million. Within the budget, there remains £0.550 million of unachieved legacy saving from the proposal to outsource the Floral Pavilion in 2018, and an additional income target of £0.350 million from 2021/22. The Council reports that the new management team have reduced costs through improved operations and improved income generation through innovating the programme of shows, events and other activities taking place at the venue. The projected shortfall is due to anticipated reductions in income. Rising costs of supplies, goods, services, and utilities has also significantly impacted the spend attributed to the service. Whilst the financial position of the Floral Pavilion is improving, both income and costs could continue to be affected by the current national financial climate with rising interest rates and high inflation having the potential to impact consumer spending decisions. Due to the ongoing adverse financial position the Council recognises it will be necessary to carry out a review of the Service.



Cost of Living Crisis

The rising costs of fuel, food and other essentials are combining with existing disadvantage and vulnerability and putting many households at greater risk of both immediate hardship and reduced opportunity and wellbeing.

Councils and local partners continue to do what they can to protect people against higher costs, targeting help at those facing the most complex challenges.

Councils' range of front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience.

The dramatic increase in inflation alongside increases to the National Living Wage, have added £2.4 billion in extra costs onto the budgets of Councils in 2022/23. In 2023/24 Councils are facing a funding gap of 3.4 billion, with a funding gap of £4.5 billion the following year.

To support its most vulnerable residents through the cost-of-living crisis, Councils face additional cost-pressures which will need to be addressed to avoid further cuts to vital frontline services.

Financial Sustainability (continued)

Financial Resilience - continued

Children, Families and Education – £3.471 million overspend

Total overspends in Children and Families and Schools of £5.148 million were offset by underspends in Early Help and Prevention and Modernisation and Support, leaving a net adverse budget of 4%:

	Budget	Outturn	Variance		Adverse/ Favourable
	£000	£000	(+ Fav / - Adv) £000	%	
Children and Families	50,141	54,178	-4,037	-8%	Adverse
Early Help and Prevention	11,196	10,065	1,131	10%	Favourable
Modernisation and Support	4,675	4,129	546	12%	Favourable
Schools - Core	13,222	14,333	-1,111	-8%	Adverse
Directorate Surplus / (Deficit)	79,234	82,705	-3,471	-4%	Adverse

Children and Families:

The 2022/23 Service Area outturn is an adverse variance of £4.037 million. Since the budgets were agreed at the start of the year, an increase in children in care rate with a post-covid impact on demand and inflationary price uplifts have placed significant pressures on the service. Increases in Residential Care and more recently independent fostering combined with the impact of the higher pay award adding further costs to the adverse position.

The underlying pressures of the service that relate to cost of living /inflation, have been included in the Medium Term Financial Plan (MTFP) and the 2023/24 budget.

The expenditure for this service includes £27.952 million on care costs. Overall, performance data indicates that the Children Looked After (CLA) rate having been stable in previous years and declined over the last year increased during the year. This has now reduced in the last few months. An increase in care numbers was anticipated to occur in 2023/24 due to post covid impact, it now appears that this along with cost of living is impacting the service earlier resulting in the increase in CLA rate and pressures in costs.

We reviewed the 2023/24 period 6 financial monitoring report presented to Policy and Resources Committee in October 2023. This shows that the service is forecasting an adverse variance of £0.351 million. The pressures from the Children Looked After (CLA) placements continue, with the number of CLA increasing to 798 in September 23. These pressures are partially mitigated for this year by the one-off use of £1 million of the social care reserve, and also by underspends in other areas.

Dedicated Schools Grant

The DSG is a ring fenced budget which is allocated in blocks for schools, early years and high needs. Nationally, concern over the impact of Special Educational Needs and Disabilities (SEND) reform on High Needs expenditure, and the financial difficulties this exposes local authorities to, is growing. The Council has confirmed that the ongoing pressures around the DSG High Needs Block (HNB) have been evaluated and processes are being put in place to manage these.

The 2022/23 HNB outturn was a £3.1 million overspend and the DSG reserve has a total debit balance to the value of £4.763m. The Council confirms it is actively developing a plan to recoup the deficit and have bid for further grant funding as part of the Delivering Better Value programme to support this.



Children and Young People - Social Care

Single tier councils and county councils spent £12.2 billion in 2021/22 and have increased their budget to £12.7 billion in 2023/24 as demand for children's social care services have increased.

83% of Councils overspent their Children's Social Care budget in 2021/22.

Councils have a statutory duty to safeguard and promote the welfare of children at risk. A range of services can be provided including support to families as well as keeping children safe from harm and providing services for those children who are 'looked after' by the council.

In recent years there has been an increase in demand with an increase in the number of child protection places and looked after children, as well as an increase in complexity of the needs of the children.

The increase in demand and complexity has resulted in an increase in the cost of individual residential placements which are often not local and outside the Council's geographical locality as well as private and agency foster carers.

Many councils have failed to model and anticipate the increase in demand and as a result lack sufficient local quality provision and are now actively trying to meet this challenge.

Financial sustainability (continued)

Short and medium-term financial planning

The Council has arrangements in place to ensure there is an organisational approach to financial planning and setting the annual budget. However, the Council needs to ensure there continues to be robust monitoring and review of service delivery to manage cost and reduce reliance on reserves to balance budgets.

Financial planning in local government continues to be challenging, with ongoing uncertainty from annual financial settlements and delays to funding reforms through the Comprehensive Spending Review to provide clarity around areas such as Adult Social Care and Health. Our review of the Council's financial planning process indicates that it is based on realistic assumptions and the challenge arrangements within the Council are robust. The MTFS, and related Medium-Term Financial Plan (MTFP) are updated annually as part of the budget setting process and involves updating the future funding landscape and estimating future expenditure forecasts, with a mid-year review and update. Members considered and approved the MTFS 2023/24 to 2027/28 in February 2023, and received a mid-year update in November 2023.

The MTFS development is developed in a way which is intended to be accountable, transparent and links to service delivery plans. Its delivery is dependent upon services operating within specific quantitative financial targets, with no capacity for overspends, which requires robust in-year management, with the ability to respond to pressures as they arise, through contingency arrangements and proactive decision making.

The Council has embarked on an ambitious regeneration programme for the Borough which is forecast to deliver significant rental income. The Council has taken a cautious approach to this in the MTFP with forecasts being monitored with a view to adjusting the MTFP as delivery occurs. This proposal sits alongside transformation and savings plans, with high levels of savings for Revenues and Benefits, Leisure Services and Library Services.

In line with legislation the Council has set a balanced budget of £368.6 million for 2023/24. The budget identifies £67.01 million of investment and pressures and requires delivery of £28.4 million savings.

The 2023/24 budget has been developed to support the objectives within the Wirral Plan with consideration of the recommendations made in the Department for Levelling Up, Housing and Communities (DLUHC) external assurance reports and in consultation with the Independent Assurance Panel convened to support the Council's financial recovery plan.

We consider the funding assumptions to be in line with expectations and realistic based on the information available at the time the budget was produced. Inflationary pressures of £40.39 million have been assumed and pressures related to increasing costs of demand led services ie Adult Care and Health and Children, Families and Education have also been included.

The Council Tax and Adult Social Care precept have an overall increase of 4.99%, the maximum allowed, which supports the 2023/24 process and the ongoing funding position of the Council. The Council are benefitting from being part of the Business Rates Retention Pool which enables them to retain 100% of local business rates, equating to around £7m per annum.



Local Government Finance Settlement

The Government announced the Provisional Local Government Finance Settlement for 2023/24 in December 2022, with the Final Settlement confirmed in February 2023. The Settlement distributes a range of grants and business rate income allocations to local authorities, and these should be included in the annual budget.

The Final Settlement for 2023/24 distributed £17.1 billion of funding to Local Authorities, a 4.8% increase in cash terms from 2022/23.

The Settlement also provides the Core Spending Power for Local Authorities, which is the level of resources assumed available to fund the net budget. Core Spending Power includes the levels of government grant for the coming year, for example revenue support grant, new homes bonus and social care grants. It also includes assumed levels of business rate income.

Core Spending Power includes the assumption that local authorities will increase council tax up to the referendum limit, which for 2023/24 is 3% plus an additional 2% for upper tier authorities who provide adult social care services. District Councils can increase council tax by £5 or 3%, whichever is higher.

The Government will undertake Spending Reviews that set out government departmental budgets over a period of 3 years, including local government. These reviews are different to, but inform, the annual Local Government Finance Settlement.

Financial Sustainability (continued)

Short and medium-term financial planning - continued

Based on its assumptions around future growth and demand, the Medium Term Financial Plan 2023/24 to 2027/28 illustrates that a budget deficit will need to be bridged in future years. The budget shortfall in 2024/25 is forecast to be £12.3 million with a cumulative total gap of £35.06 million in 2027/28. The Council reports that work on bridging this shortfall will commence shortly to inform the budget setting process for 2024/25. The Council's Change Programme, Service Reviews and the forthcoming round of budget setting for 2024/25 will focus on delivering a balanced position with multi-year considerations in light of the position presented by the most recent iteration of the MTFP.

In November 2023 the Council reported to Policy and Resources Committee that at the end of Quarter 2, against the Council's revised net revenue budget of £368.6 million, there is a Directorate forecast adverse variance of £7.219 million. It is reported that this can be largely offset by utilising its £5 million contingency budget and savings from reduced energy costs.

The Council recognises the risk of an Outturn that is in deficit for 2023/24 and unbalanced budget for 2024/25 exists but reports that proactive steps are in motion to mitigate this risk:

- Service Enabling Reviews – continued review of services and or cessation, and further mitigation actions introduced.
- Monitoring - of directorates **and** planned actions to bring any overspends back in line with budgets.

Identifying savings

The Council has arrangements in place for identifying savings with appropriate monitoring and reporting. However, the Council needs to ensure there continues to be robust management of saving programmes to reduce reliance on reserves to balance budgets.

As a result of the conditions attached to the capitalisation direction in 2020/21 and 2021/22 and subsequent Governance Report commissioned by DLUHC which included the failure to deliver on past savings plans; the Council introduced a new process for the monitoring the savings delivery programme. This requires each of the Committees to monitor the delivery of the savings programme they hold responsibility for and ensure that the overall budget envelope that they are responsible for is delivered.

The 2022/23 budget required savings, income and efficiencies to be delivered totalling £18.29 million. A full list of the savings and efficiencies by Directorate for 2022/23 was included as an appendix within the MTFP. From review we noted that in most cases the proposals were broken down into individual projects to provide an overview of how savings would be achieved. However, this was not the case within the Adult Care and Health Directorate which attributed the total requirement of £3.89 million to come from review of care packages.

From review of the 2022/23 outturn report, £15.9 million of the savings were delivered in year, representing 87% of the total savings target. A further 4% of savings were delivered through alternative means (mitigation) with 9% of savings totalling £1.548 million delayed and unachieved within the year. £1.248 million related to Neighbourhoods Services and £0.3 million Children, Families & Education.

The savings requirement in 2023/24 is £28.4 million. Similarly, to 2022/23 savings proposals are itemised within the MTFP; however, the Adult Care and Health Directorate has attributed £4.935 million to come from a review of services to support Independent Living.

From review of the 2023/24 period 6 financial monitoring report presented to Policy and Resources Committee in October 2023, we note that £26.859 million of the £28.345 million savings targets are either delivered or on track to be delivered, representing 95% of the total savings target. Following our previous review, we recommended that the Council provides a risk assessment of risk assessment of the savings that are identified within the MTFP. The financial monitoring report notes 5% - £1.486 million with a high risk of not being achieved within this financial year, as shown in the table below:

Directorate	Approved Saving £m	Green £m	Amber £m	Red £m	Mitigation £m
Adult Care & Health	-5.935	-5.935	0.000	0.000	0.000
Children, Families & Education	-4.180	-4.180	0.000	0.000	0.000
Finance	-5.200	-5.200	0.000	0.000	0.000
Law & Governance	-0.070	-0.052	-0.018	0.000	-0.018
Neighbourhood Services	-1.600	-1.132	-0.035	-0.433	-0.035
Regeneration & Place	-2.660	-2.460	0.000	-0.200	0.000
Resources	-0.160	-0.160	0.000	0.000	0.000
Corporate	-8.540	-7.740	0.000	-0.800	0.000
TOTAL	-28.345	-26.859	-0.053	-1.433	-0.053

Financial sustainability (continued)

Reserves

Council reserves are at a minimum and will require replenishing. We consider this to be a sign of financial stress which impacts the financial sustainability of the Council.

General fund reserves are designed to meet costs arising from any unplanned or emergency event such as unforeseen financial liabilities or natural disasters. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years.

The uncommitted General Fund balance as at 31 March 2023 stands at £13.2 million, this is an increase of £2.5 million when compared with the opening balance. This is equivalent to approximately 3% of net revenue budget which is below the Council's optimum level; although there is no planned use of General Fund Reserves to the MTFP.

Earmarked reserves are set aside for specific purposes. The Council's Earmarked Reserves have decreased during 2022/23 reflecting their budgeted use and the requirement for utilisation to fund the in year and year-end overspend of The Council had £97.2 million in Earmarked Reserves at 01 April 2022 and almost half were used in 2022/23 for the activities for which they were established. The Council contributed £18.5 million to reserves in year, which provided a 2022/23 year-end balance of £72.3 million.

Wirral Council has the second lowest level of General Fund and non-schools earmarked general fund reserves (as a % of net service revenue expenditure) when benchmarked against 23 other Metropolitan Boroughs nationally:

Uncertainty around funding, demand and growth pressures put the Council's future financial sustainability at risk, which may further impact the level of reserve balances the Council holds. The Council needs to ensure that its spending and funding plans are managed robustly. This includes strong management of saving programmes and a reduction in any reliance or use of reserves to balance budgets.

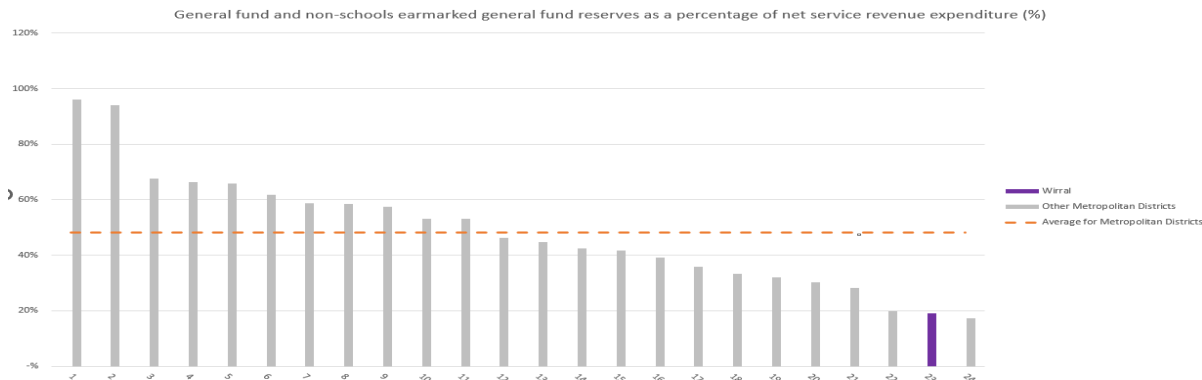
It is also the opinion of the Director of Finance (S151) that the level of reserves is at a minimum and will require replenishing.

On 1 April 23, earmarked reserves totalled £72.3million. Quarter 2 reporting to Policy and Resources Committee documents that more than a quarter of this will be spent in 2023/24, on the activities for which they were established.

The Council forecast to have £55.2 million of earmarked reserves at the end of the 2023/24 financial year and of this £37 million can be considered ringfenced, with specific conditions limiting their use and £18 million can be considered non-ringfenced. Ringfenced reserves include School's balances, Insurance fund, Public Health Grant, Covid Additional Relief Fund (CARF), Resettlement Programme Grant, and Selective Licensing.

The significant use of earmarked reserves and forecast future reserves balance is of major concern.

Use of reserves to balance budget gaps and in year overspend is not sustainable in the longer term.



Financial sustainability (continued)

Capital Programme

There was Capital Programme slippage of £25.4 million in 2022/23 which has rolled forward to 2023/24 with an ambitious programme of £132.2 million. There is a risk of non-delivery, increased costs and further slippage into future years.

The Capital Strategy is a key document that sets out the Council's medium to long term ambition. As the Medium-Term Financial Strategy sets out the plans for revenue, the Capital Strategy describes the strategic plan for economic growth, digitalisation and the use of assets and how these will support the Council to achieve its objectives. The Capital Strategy is linked to a suite of enabling strategies, including:

- Strategic Asset Management Plan
- Economic Strategy
- Treasury Management Strategy
- Commercial Strategy,
- Medium-Term Financial Strategy, and
- Digital, Data and Technology' strategy

The capital management process is supported by the Investment and Change Board which aligns investments to corporate priorities, whilst considering related risk.

The Council's 2022-27 Capital Programme is a 5-year forecast, representing a combination of schemes originally approved as part of the 2021-26 Programme, updated through the Capital Monitoring reports in 2021/22 and new bids for inclusion. The programme of £185.5 million was approved as part of the budget process in February 2022, This set a Capital Programme of £113.8 million to be delivered in 2022/23.

It is assumed that new bids requiring Council funding will be financed from borrowing. The requirement for approval of the new bids was £8.963 million borrowing for inclusion in the Capital Programme.

In June 2023 the capital outturn for 2022/23 was reported to the Policy and Resources Committee, this report details the resources used to fund the Programme and recommends that the Committee agree the revised 2023/24 Capital Programme which takes account of re-profiling, virements, additional funding requirements and grant variations identified since the Capital Programme was formally agreed on 28th February 2022.

The capital expenditure for the year was £60.9 million compared to the Revised Programme of £86.3 million. This assumes slippage of £25.4 million. The most significant variance was in Regeneration and Place Services which saw 44% of expenditure deferred into future years:

Programme	Q3			
	Forecast	Actual	Variance	Variance
	£m	£m	£m	%
Adult Care & Health	1.248	0.649	-0.599	-48%
Children, Families & Education	7.402	7.021	-0.381	-5%
Corporate Schemes	3.780	2.930	-0.850	-22%
Neighbourhoods	27.685	23.842	-3.843	-14%
Regeneration & Place	40.643	22.762	-17.881	-44%
Resources	5.544	3.733	-1.811	-33%
Total	86.302	60.937	-25.365	-29%

A Capital Programme 2023-287 of £186.8 million was approved as part of the budget process in February 2023, this set an ambitious Capital Programme of £132.2 million to be delivered in 2023/24; against a backdrop of £60.9 million delivery in 2022/23. The programme includes new bids of £17.7 million.

Following additional grant funding, the Capital Programme increased in 2023/24 to £178 million. Q2 monitoring presented to Policy and Resources Committee provided an update on the progress of delivery and recommended that Committee agree the revised 2023/24 Capital Programme of £100 million which took account of re-profiling, virements, additional funding requirements and grant variations identified since the Capital Programme was formally agreed on 27th February 2023, this is an overall variance 44%.

Programme	Budget	Forecast	Variance	Variance
	1 April 23	Q2		
	£m	£m	£m	%
Adult Care & Health	3.884	1.729	-2.155	-55%
Children, Families & Education	16.929	9.310	-7.619	-45%
Neighbourhoods	29.143	24.422	-4.721	-16%
Regeneration & Place	116.681	59.142	-57.539	-49%
Resources	11.421	5.703	-5.718	-50%
Total	178.058	100.306	-77.752	-44%

Improvement recommendation 1.

Financial sustainability (continued)

Treasury Management

The Council's Regeneration and Neighbourhood services plans require significant capital investment, supporting a longer-term ambition for economic growth and housing, delivering revenue income and releasing capital receipts. Supporting this process is the Council's partnership with the Wirral Growth Company which will see significant investment across the borough.

The capital programme has been subject to in-year change as opportunities emerge, including the purchase of the Pyramid and the Grange shopping Centres. Whilst the purchase was identified as key to the delivery of the transformation programme and appears to have been managed in a robust and well consulted process, it does raise questions about the robustness of the original plan had the purchase not been possible, and the challenge of amending the capital programme to enable this purchase. The addition to the Capital Programme has not currently required additional borrowing as the purchase has been financed through a combination of external grant funding and the use of cash reserves.

The Council's Treasury Management Strategy supports the management of cash flows, borrowing and investments and is produced annually in line with statutory requirements. The Treasury Management Strategy recognises the ongoing economic impact of national higher inflation, higher interest rates, uncertain government policy and a deteriorating economic outlook. The strategy aims to strike a low-risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, and includes a policy of internal borrowing, using cashflows to delay entering long-term loan arrangements. This is forecast at an additional borrowing requirement of £142 million as part of the 2023/24 budget process, to temporarily fund capital expenditure.

The capital expenditure for 2022/23 was funded from borrowing of £17.437 million, Capital Grants of £39.978 million, Capital Receipts of £2.93 million and other revenue/reserve contributions of £0.592 million. As a result of the £17.437 million borrowed to finance the Capital Programme in 2022/23, the General Fund will be charged with its first repayment via the Minimum Revenue Provision (MRP) in 2023/24 of £0.609 million. This will bring the total MRP charge for 2023/24 to £6.423 million for borrowing associated with delivering the Capital Programme.

The Authority confirms that it has complied with its Prudential Indicators for 2022/23, which were originally approved on 28 February 2022 as part of the Capital Strategy 2022/23 and revised on 27 February 2023 as part of the Capital Strategy 2023/24.

The re-profiling of schemes from 2022/23 to 2023/24 has seen the funding similarly re-profiled. This includes the planned borrowing which has been deferred and has contributed towards the cost reductions in Treasury Management activities within the revenue budget. A permanent saving only occurs if schemes cease, otherwise the full budget will be required in 2023/24 when the re-profiled expenditure is incurred.

The Treasury Management Annual Report was presented to Policy and Resources Committee in June 2023. The report summarises that there was an underspend in the 2022/23 financial year on net Treasury activities of £0.126 million, attributable to lower debt management costs and an increase in investment returns. This underspend was incorporated into the Revenue Outturn report.

The level of Capital Financing debt held on the balance sheet, including the Merseyside Residuary Body debt managed by the Council on behalf of the constituent authorities, was £164 million at 31 March 2023. This is an increase of £4 million since 31 March 2022 and reflects the additional Public Works Loan Board loan to finance the second year of the Capitalisation Directive.

At 31 March 2023, the Council also held £121 million of temporary loans from other Local Authorities, compared to £58 million at 31 March 2022. This is due to the policy of minimising and delaying fixed term borrowing costs which adversely impact upon the revenue budget.

Temporary loans from other Local Authorities were taken out towards the end of 2022/23 for cashflow purposes. Temporary loans from other Local Authorities are less costly compared to fixing into longer term loan arrangements with for example the PWLB, hence their use for short-term cashflow. Short-term borrowing, per the balance sheet at 31 March 2023 was £136.7 million, of which £121 million was peer to peer borrowing. Inter-authority loans are not uncommon; however borrowing to finance short-term cashflow when coupled with the diminishing level of reserves held and total level of debt this is a sign of financial stress which impacts the financial sustainability of the Council.

At 31 March 2023, the total level of Council debt was £316 million (of £164 million is external borrowing).

From a starting position of £67 million of investments as at 31 March 2022, the level of investment decreased to £53 million at 30 June 2022 and then further reduced to a balance of £36 million as at 30 September 2022. During the final quarter of the financial year the investment levels fell from £37 million at 31 December 2022 to £32 million at 31 March 2023, the reduction is due to invested cash being used to repay temporary loans as they become due, rather than entering into replacement loan agreements and the continued utilisation of the funding as service need dictates, including grant monies received at the end of 2021/22 that inflated the investment balances coming into 2022/23.

Our previous improvement recommendation which stated that the Council must carefully review future borrowing plans is still in place.

Financial Governance

Annual budget setting and Budgetary control

The Council has improved the arrangements in place to preparing the annual budget.

The Council has arrangements in place to setting the annual budget, which is based on corporate priorities, against a backdrop of national and international economic volatility. The budget is also developed to support the delivery of the Wirral Plan vision, aims and objectives.

The Council are continuing to develop the budget setting and monitoring process through a target operating model. This will be achieved through financial goals for service reviews and a review of the resourcing levels in the Finance Team to support the delivery of the Business Partnering Model.

Elected members are a critical element of the financial success of the Council, supporting operational services through a clear framework of Committees and Sub-Committees to support financial governance. The Policy and Resources Committee provides strategic direction to the operation of the Council, making decisions on policies and co-ordinating spend, and maintaining a strategic overview of outcomes, performance, risk management and budgets. This process is supported by the Finance Sub Committee which is responsible for the development and monitoring of the Council's budget and oversight of the Council's procurement framework, and Council which is responsible for the approval or adoption of key financial strategies. Members are also key to delivery of the Council's vision through public engagement.

As part of the strengthening of processes in place, Committee oversight has been improved. To enable the Committees to manage and monitor budgets effectively in-year, a suite of detailed information will be provided on a quarterly basis, comprising:

- A revenue budget monitoring report for the preceding quarter that will include a full-year forecast.
- Full list of budget savings proposals and the progress for their achievement.
- Full list of reserves allocated to the Committee for future one-off commitments.
- A capital budget monitoring report for the preceding quarter that will include a full-year forecast.
- Other specific financial information relevant to the individual committee's decision-making process

The Council have monitoring process in place with budget holders engaging with Directorate Management Teams, Budget Monitoring Panels and the Savings Delivery Board. Arrangements are being enhanced with the roll out of a business partner model, ensuring that all budget holders have the knowledge and support to ensure this delivers effective financial management.

The Council will need to ensure this continues to embed to ensure its success.

Improvement recommendation 2.

The in-year monitoring position shows a forecast £7.2 million adverse variance, driven by continued pressures in Neighbourhood Services and Regeneration and Place Services. The position is subject to ongoing monitoring but is currently planned to be mitigated utilising £5m contingency budget and forecast energy savings. The pressures have identified budget gaps relating to staffing budgets, which were developed assuming staff at mid-point grades, and overly ambitious income targets. These have been further evaluated and are planned to be corrected in the 2024/25 budget setting process.

Monitoring and reporting is a key part of the financial governance framework, with performance dashboards and monthly financial reporting delivered via Power BI.

A rigorous process to monitor progress of savings delivery forms part of the standard budget monitoring process

From our discussion with key staff, we noted that operational managers' report feeling well supported by the finance team in monitoring their budgets and developing strategies to deliver savings and transformation.



Improvement recommendations

Improvement Recommendation 1

The Council must ensure there is a robust financial governance framework around the delivery of its Capital Programme. The impact and risk of slippage should be fully assessed and documented as part of the Capital Programme planning process.

Improvement opportunity identified

The Council's transformation and related savings programme is highly dependent upon successful delivery of the capital programme. Delays and reprofiling will impact the delivery of these programmes alongside leaving the Council open to affordability risk as reduced reserves levels will require borrowing to fund the programme, alongside potential cost and capacity issues.

Summary findings

The final 2022/23 capital outturn position showed spend of £60.9m, with £38.2m reprofiled from 2022/23 to 2023/24, and further reprofiling is being reported in 2023/24 with deferrals of budget and inclusion of new funding and schemes into the programme. Issues with programme management and shifting priorities, including the purchase of the Pyramids and Grange shopping centres has contributed to this position.

Criteria impacted by the finding



Financial Sustainability



Governance



Improving economy, efficiency and effectiveness

Auditor judgement

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

Management comments

The Capital Programme goes through quarterly reviews with the respective Directorates and challenges are made to Directors as to the viability and deliverability of the programme. A number of factors that are outside the Authority's control can often contribute to slippage and slippage is managed with careful consideration to cost and deliverability with the respective Directors and Officers. The Council takes a prudent approach to borrowing for capital to avoid unnecessary costs and only borrows as required. Work is on-going during 2024/25 to refine the capital programme approach to ensure greater focus is given to the profiling of projects which should provide improved reporting and performance against budget.

Improvement recommendations

Improvement Recommendation 2

The Council should continue to roll out and embed the business partner model, ensuring that all budget holders have the knowledge and support to ensure this delivers effective financial management.

Robust oversight will include timely and transparent reporting to senior management and elected members.

Improvement opportunity identified

The Council's in year budget and medium-term financial plan is dependent upon budget holders managing within their financial allocations. Outturn positions have delivered overspends in key areas and the outturn has been supported by significant use of earmarked reserves; this option will be less available as reserves have significantly reduced. Effective financial management is dependent upon the expertise and engagement of operational managers, project managers and financial support staff.

Summary findings

Robust financial management for both revenue and capital budgets is critical to delivery of the Council's ongoing financial position, requiring strong collaboration between budget holders, project managers and financial support staff. The Q2 forecast overspend for 2023/24 of £7.2m alongside the slippage in the capital programme will significantly hamper the delivery of the Council's plans if not managed.

Criteria impacted by the finding



Financial Sustainability



Governance



Improving economy, efficiency and effectiveness

Auditor judgement

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

Management comments

Finance is going through a restructure to strengthen the support to budget holders and this will start to demonstrate improvement throughout 2024/25. The appointment of three Heads of Finance will further support the partnering model and allow greater financial support and financial ownership of directorates and budget holders.

This is further complimented with our Enterprise Performance Management (EPM) module which was launched on Oracle Fusion from December 2023. This module supports budget forecasting and the management of spend in real time. With this accurate, up to the minute data, budget holders can enhance their services and provide further value for money for our residents.

An online finance training module has also been introduced which is compulsory for all Council staff to complete.

Governance



We considered how the Council:

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

Risk management and internal controls

The Council has appropriate arrangements in place to identify and manage risks. Our work has not identified any significant weaknesses; but improvement recommendations have been made to further enhance and strengthen the processes in place.

High level responsibilities for managing risk are documented within the Council's Constitution; which delegates overall responsibility to the Policy & Resources Committee. Responsibility for providing independent assurance of the adequacy of the risk management framework and the associated control environment is delegated to the Audit and Risk Management Committee (ARMC).

From review of Audit and Risk Management Committee papers, we noted that a comprehensive Members' training programme has been approved which covers a period up to and including December 2024 with Risk Management and Governance taking place in December 2022.

In line with good practice, Audit Committees also assess their effectiveness annually. A report on the work undertaken by the ARMC was reported to ARMC on 15th January 2024, which reviewed the activity of the Committee during 2022/23. A self-assessment of ARMC for 2023 was also completed and reported to the same Committee. This evaluated the Committee's role and effectiveness and identified a number of key actions with an action plan to address. A survey will also be circulated to Members to inform future training and development requirements. Training in respect to financial reports is also planned for ARMC members during 2024/25.

Risk Management

Risk Management arrangements are underpinned by a Risk Management Policy. At the time of our review, the policy had not been updated since 2017; this means that changes made to the Council's governance structure and responsible officers were not accurately reflected. For example, it states responsibility for the effective management of risk rests with Cabinet and the Leader of the Council as part of their wider responsibilities for effective corporate governance. The Council adopted a Committee model of Governance in September 2020.

The Risk Management Policy states it should be subject to review on an annual basis. Council Officers confirmed that a refreshed Strategy was in the process of being developed but had been paused pending the implementation of all changes and the refresh of the Wirral Plan. Following completion of our review; we were informed that the new Risk Management Strategy has been produced and will be presented for approval by ARMC on 26 March 2024. The Council will therefore need to ensure the updated Risk Management Strategy is approved and implemented as planned.

From review of the existing policy, we confirmed it includes a number of key elements to provide an embedded Council wide Risk Management Framework. For example, it includes detailed guidance around the operational processes for identifying, evaluating, recording and reporting risk. We were informed that the updated strategy now also includes articulation of the Council's Risk Appetite ie. the amount of risk the Council is willing to seek or accept in the pursuit of its long term objectives; and an overview of the impact criteria which supports the Council's 5x5 scoring methodology and which is also included as part of Corporate Risk Register from January 2023 onwards. The Strategy will be reviewed as part of our 2023/24 audit.

Governance (continued)

Risk Management – continued

The Strategic Leadership Team (SLT) undertook a detailed reassessment of the Corporate Risk Register (CRR) in March 2022. Our review of June 2022 Audit and Risk Committee papers evidenced that the Corporate Risk Register was being developed and populated but included key risks we would expect to see, which align with the national landscape for example (but not limited to) risks relating to financial sustainability, demand, workforce pressures and SEND etc.

The risk register format is clear showing current risk scores, target scores, direction of travel, lead director, management actions, current mitigations and links to corporate priorities. This is supported by narrative in respect of any changes or progress against actions etc.

The CRR includes 20 risks which, in our 2021/22 review we reported was at the upper level of what would be appropriate to allow for all risks to be provided with appropriate focus and oversight. In May 2023 SLT completed a further review of risks and these have now been reduced to eight to ensure there maintains key focus on its most significant risks to the Council achieving its objectives.

The risks previously held with the CRR have been devolved to the respective directorates for consideration in their Directorate Risk Registers and active management at the directorate level. Directorates review risk registers on at least a quarterly basis and at regular scheduled management team meetings and this is reported via Power-BI, which is accessible to all SLT/DMTs and the Operational Performance Group. All Directors are also asked as part of SLT review if there are any escalating or new risks for inclusion on the Corporate Risk Register, a decision is taken by SLT to include or not. Each Policy & Service Committee has held a dedicated risk discussion session with the respective Director to review and comment on the Directorate Risk Register, these took place Dec 2022-Feb 2023.

An assessment of the Audit and Risk Management Committee is undertaken regularly by the Chair and the Chief Internal Auditor against the CIPFA Best Practice Guidance for Audit Committees in the Public Sector publication. The outcomes of this exercise are reported to the Committee along with the actual assessment document and action plan identifying specific actions arising. This is reported on to Council with the Annual Report of the Committee summarising activity and demonstrating value added to the organisation.

The 2022/23 Annual Report was reported to Committee in January 2024 along with the **Annual Self-Assessment for 2023**.

The Council is currently involved in significant commercial and regeneration activities; including the recent acquisition of the Pyramid shopping centre. There were several risks on the Corporate Risk Register throughout 2022/23 which picked up elements of these risks in their impact descriptions, for example Exposure to Long-term Liabilities, Vision for Economic Development, Inflation and Cost of Living, Workforce Capacity to Deliver. The detail behind these risks, their mitigation or additional actions sit within Directorate Risk Registers and/or Programme/Project Risk Registers.

However, the Corporate Risk Register does not currently include a specific risk around commercial investment or programme delivery. From discussion with the Risk, Continuity & Compliance Manager, it was confirmed that large scale projects and programmes are subject to their own risk assessment and have their own risk register. Only if it becomes a significant risk will it be escalated to the Corporate Risk Register.

Given the scale and complexity of its current schemes which may be impacted by external and environmental factors such as rising costs, supply, demand and workforce issues we have recommended that the Council considers including an overarching risk which identifies the potential impact to the Council.

Improvement recommendation 3.



Governance (continued)

Internal Control

The Council has adequate arrangements in place to provide Internal Audit and Local Counter Fraud Services Our work has not identified any significant weaknesses; but an improvement recommendation has been made to further enhance and strengthen the processes in place.

Internal Audit

Internal Audit is provided by an internal team managed by the Chief Internal Auditor reporting directly to the Director of Resources, the Council's statutory Section 151 Officer.

In March 2022 the Audit and Risk Management Committee approved the 2022/23 Internal Audit Plan. From review of the plan we noted that it clearly documents key areas of focus and includes core areas of coverage to ensure compliance with the Public Sector Internal Audit Standards (PSIAS) and enable the Chief Internal Auditor provide an annual Head of Internal Audit Opinion.

These include areas such as financial systems, governance reviews, risk-based assurance reviews, school audits and Grant certifications.

To be fully compliant with PSIAS, the Internal Audit Plan should include a review to "evaluate the effectiveness and contribute to the improvement of risk management processes". During our discussion, the Chief Internal Auditor informed us that the Council is planning on working on a reciprocal arrangement with another Council.

Following completion of our review we were informed that the agreement had been made with Cheshire East Council to complete this. The audit of Wirral's Risk Management arrangements is scheduled for quarter 4 of 2023-24. This work is also included in Cheshire East Council's audit workplan for the 2023-24 year following discussion and agreement reached.

Internal Audit update reports are provided to each meeting of the Audit and Risk Management Committee. Reports include updates on any changes to the Audit Plan where these are significant and identification of audit work scheduled for future quarters. Outstanding actions beyond their implementation dates are also identified.

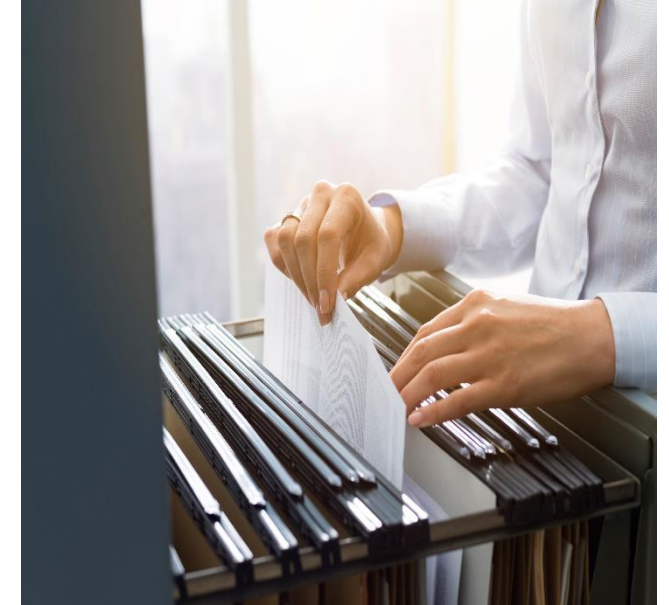
We reviewed a sample of reports and noted that while there are "items to note" which include key messages and narrative in respect of individual reviews which have been carried out, it does not provide assurance opinions or the number of recommendations that have been made. It is also not clear if delivery is in line with the plan. We have identified that the update reports can be strengthened to provide the Committee with real time assurance, and an indication of what the year-end Head of Internal Audit Opinion may be.

We were informed that ongoing discussions between the new Chair of the Committee, colleagues and the Chief Internal Auditor to develop the use of the Power Bi reporting tool for Members to summarise the IA activity and highlight opinions and agreed actions/status including items for escalation. This new reporting will encompass some form of real time reporting as well as formal reporting to Committee meetings and is scheduled for implementation during 2023/24.

Improvement recommendation 4.

The 2022/23 Annual Head of Internal Audit Opinion concludes that "the Council generally maintains adequate and effective control and governance processes overall". From review we note that three reviews completed during the year resulted in Major Risk opinions being provided, these are:

- Hind Street Regeneration – Systems Review,
- Accounts Payable – Access Controls Follow Up and
- Liquid logic – Information Governance/Access Controls



Governance (continued)

Counter Fraud

The Counter Fraud Service is also provided by the Internal Audit Team. The Internal Audit Plan provides an overview of the work to be completed by the Service during the year; which includes both reactive and proactive fraud work.

The Team oversees and co-ordinates the Council's involvement in the National Fraud Initiative (NFI) and also subscribes to the National Anti-Fraud Network and North-West Fraud Forum, which promotes the sharing of information between Authorities and publishes regular bulletins on fraud cases and attempted scams, which are distributed to relevant staff.

From review of the Audit and Risk Committee papers we confirmed that three new e-learning modules covering Fraud, Bribery & Corruption and Money Laundering had been developed and were being rolled out as part of its Fraud Awareness Campaign in November 2022.

Reporting of Counter Fraud Service activity is provided through the Audit and Risk Committee. From review of the Counter Fraud Team activity summary 2022/23 we noted that the team has completed 343 reviews into fraud allegations received identifying circa £58,000 which the Council can recover.

It also records that approximately 82% of the workforce had completed the two mandatory learning modules launched in November 2022 covering Fraud and Bribery & Corruption. The Anti-Money Laundering module was launched in September 2023.

There are a suite of policies in place to manage and mitigate the risk of fraud, these are reviewed on an annual biennial basis, including, but not limited to:

- Anti-Fraud and Corruption Policy
- Anti Bribery Policy reviewed
- Anti Money Laundering Policy
- Whistleblowing Policy
- Counter Fraud and Corruption Strategy reviewed October 2023 VFM60
- Anti-Money Laundering Policy

The Council's Whistleblowing Policy was approved in February 2021 with a three-year review cycle. Annually, whistleblowing activity is summarised and reported to the Audit and Risk Committee for information. The 2022/23 reports that there were a minimal number of Whistleblowing complaints made during the year; but steps were taken to continue to raise awareness of the Whistleblowing Policy and its importance by making reference to it in the corporate anti-fraud and corruption awareness raising and training materials.



Whistleblowing

With whistleblowing regulation on the rise, it is more important than ever that, not only does an organisation have a Whistleblowing Policy in place, but also understands how the effectiveness of the policy is being assured and how the Council are sighted on issues raised. Those charged with governance should ensure that:

- Whistleblowing arrangements are effective, accessible and inclusive to all staff groups.
- Staff know how to raise concerns and do not experience detriment as a result.
- There are arrangements in place to allow triangulation of whistleblowing concerns with wider performance and delivery of a service.
- The Council are sufficiently sighted on all whistleblowing concerns and the actions taken to investigate and respond.

As the National Audit Office has reported, concerns raised by staff can be an important source of information on which to base improvements. However, to raise concerns or 'blow the whistle' can make people vulnerable. Alongside clear, comprehensive and accessible policies to support and reassure staff at what is likely to be a stressful time, these policies must be backed up by a culture of transparency and openness, so that employees feel enabled to raise concerns.

Governance (continued)

Governance

The Council is making good progress in implementing the recommendations arising from external governance reviews and notes a significant shift in culture and behaviour enabling improved governance and decision making.

Wirral Council has 66 councillors in 22 electoral wards.

A specially convened meeting of Wirral Council took place on 21 March 2022. At this meeting, the Council resolved to move to a scheme for whole council (or ‘all-out’) elections. This took effect for the elections held in May 2023.

This means that as of May 2023 (and every four years afterwards), elections will be held for all seats on Wirral Council at the same time. Previously, the Council elected a third of its members in each of three years out of four.

The election resulted in a number of changes including moving from a “no overall control” position. The political composition of the Council, after the May 2023 is as follows:

- Labour – 30 seats
- Conservative – 17 seats
- The Green Party – 13 seats
- Liberal Democrats – 6 seats

In addition, there have been a number of changes within the Senior Leadership Team during 2022/23 including:

- Director of Finance (s151 Officer)
- Monitoring Officer
- Director of Law and Governance
- Director of Generation and Places
- Director of Public Health

Large scale changes in key personnel can bring a number of benefits to an organisation through the introduction of new skills and perspectives and providing opportunities for learning and insights from other Authorities and organisations.

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Change can often prevent complacency and support innovation in practices and ways of working.

However, there are also risks associated with changes in a number of key strategic roles in a short period of time. There may be a loss of local knowledge and expertise, changes in strategic direction, loss of focus and changing priorities which could lead to disruption to services, lack of staff engagement, buy-in and motivation. There may be a need to continually build team-working and trust; ensuring everyone is bought into the organisational vision.

It is acknowledged that there have been challenges around governance, specifically decision making, member behaviour and member and officer engagement. Fraught relationships, a no overall control political composition and a lack of a joined up approach at a leadership level in some cases, has contributed to the lack of effective decision making and the Council achieving its objectives in some areas.

There have been a number of external governance reviews highlighting the significant challenges the Council faces. A Peer Challenge review in March 2022, facilitated by the Local Government Association (LGA), included governance and culture as one of the key points of focus. The review concluded in a number of recommendations being made, including (but not limited to) strengthening the stability of decision making, implementing proposed governance reforms and providing a dedicated space and time for the Council’s Senior Management Team, Committee Chairs, and Group Leads to come together.

In response to an External Assurance Review commissioned by the Department for Levelling Up, Housing and Communities (DLUHC); the Council developed an Improvement Plan which also responds to the report and recommendations arising from the LGA Peer Challenge.

The Corporate Peer Challenge and the Council’s Improvement Plan were specific requirements in line with the recommendations of the external assurance review.

Oversight and progress with the recommendations made is provided through the Independent Assurance Panel.

A peer review follow up visit was also undertaken in November 2022 which reported upon the positive responses that the Council has made to recommendations, particularly through the work of Democratic and Member Services. This includes the practical reforms that the Council has made to their committee system and supporting the development of a new Member Development Strategy for 2023-2027.

From our conversations with a number of the Senior Leadership Team officers; it is evident that the changes made to both the political and leadership of the Council have been perceived as very positive. There has been a continuous journey of improvement leading to a Council wide approach to joined up working, with shared objectives and goals and good member engagement and collaboration.

While it is recognised that improvements continue to develop and embed, the view of officers now is that there has been a significant shift in culture and behaviour and governance continues to strengthen.



Governance (continued)

Informed Decision Making

Arrangements are in place to ensure that all relevant information is provided to decision makers before major decisions are made and for the challenge of key strategic decisions before they are taken.

The Council established a committee form of governance following the Council's Annual Meeting in September 2020.

The Council has a Constitution in place which was updated in May 2023 and sets out how the Council operates and how decisions are made.

Decisions are made by full Council, Policy and Services Committees or by Regulatory Committees. The Council has resolved to not establish any Overview and Scrutiny Committees as of May 2022. There are six Committees responsible for the Council's policy making and the management of its resources, known as executive functions, and these are referred to as the Policy & Services Committees.

All Committee meetings are scheduled well in advance and have in place forward plans to ensure all items of business are included at the right time for meeting any statutory deadlines. Draft papers are received in advance to enable these to be checked and moderated prior to publication.

As part of its review of effectiveness, the Council has reported in its Annual Governance Statement that "the Committee system, re-introduced in 2020, has brought a high level of transparency across all activity and decision making, including all key decisions, and has facilitated a greater engagement with a broader group of elected members. The governance structure for committees has enabled a collaborative approach through, for example, briefings and the opportunity for responding to questions from the public. The Council transmits and records approximately 90% of Committee meetings."

These arrangements have been reviewed and strengthened with the introduction of a Corporate coordination group. This is attended by the Deputy Monitoring Officer and Head Democratic Services with specialist representation from Law, Equalities and Finance. Report authors present to this forum prior to Senior Director oversight and Statutory Officer approval.

In addition a member oversight and review group has been established to enable Leader briefing prior to full publication. Directors have also provided workshops and briefing sessions for Members to assist Members to better understand a service context before receiving a report that requires a decision, for example in respect of strategic acquisitions.

It is noted that some decisions are taken in private for example where commercial confidentiality exits.

Standards and Behaviour

The Council has arrangements in place to monitor standards, such as meeting legislative /regulatory requirements and standards in terms of officer or member behaviour.

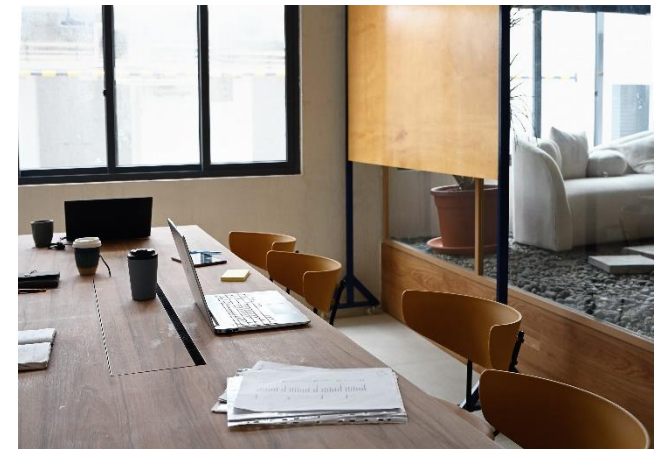
From discussion with the Monitoring Officer, we confirmed that processes are in place to ensure Committee decisions are appropriate and comply with relevant legal, statutory, regulatory and budgetary requirements.

Codes of conduct are in place for Members and Officers which are contained within the Constitution.

Members are required to declare all interests which are published publicly and the opportunity to declare interests in respect of specific agenda business is provided at the start of each meeting.

Receipts of gifts and hospitality are also recorded. These can be declared electronically by both members and officers. Members declarations are also published and all staff declarations require line manager approval.

There are processes in place to investigate any potential breaches of the constitution or complaints made against members. The Council has in place a Standards and Constitution Committee which provides oversight and receives an annual report of complaints leading to a formal investigation or Ombudsman Referral. From review of the report presented in February 2023 we noted that between 1 November 2021 and 31 December 2022 a total of 13 complaints in respect of the conduct of six Members have been received. The complaints were received from 10 different complainants. There were 2 complaints raised by Members against other Members. None of the complaints received were referred for a formal investigation.



Governance (continued)



Carbon reduction

The UK government has a target of 100% reduction in 1990 greenhouse gas emissions by 2050. Many of the carbon budgets set by the government are relevant to Local Authorities. By June 2022, more than 250 English Local Authorities in England had declared Climate Change Emergencies and set carbon reduction targets of their own.

To deliver value for money whilst also implementing carbon reduction, Local Authorities need strong processes. Carbon reduction costs need to be reflected within medium-term financial plans; funding needs to be consistent with other strategic priorities; costs need to be accurately recorded and monitored; and the relative costs of acting versus not acting need to be evaluated on an ongoing basis.

Climate change is often already reflected on Local Authority risk registers and where Local Authorities set themselves strategic goals around carbon reduction, effective processes for monitoring progress against those goals is needed. Training should be kept up to date both for executives and for members overseeing climate change and carbon reduction risk and performance. As legal requirements are evolving and new sources of funding and grants continue to come forward, horizon scanning for new duties and opportunities will also need to be vigilant.

Net Zero

Net Zero refers to the point at which carbon emissions being emitted into the atmosphere are balanced with their removal, meaning there is no overall addition to atmospheric levels.

The Council declared a climate emergency and has developed its plans to achieve Net Zero in both its own operations and across the Wirral. The Council’s commitment is evident within the Wirral plan which highlights “Sustainable Environment - leading the way in responding to the climate emergency” as one of its five thematic priorities.

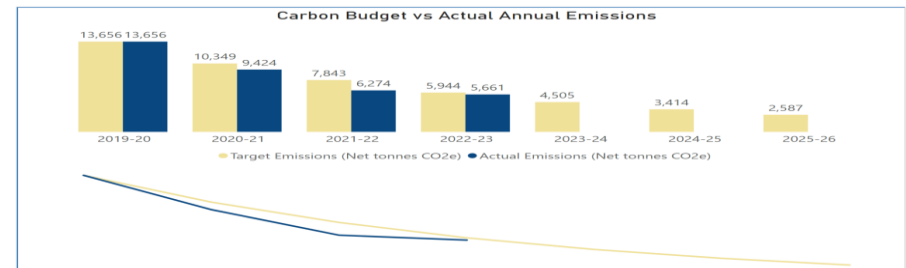
Wirral Council declared an Environment and Climate Emergency at a meeting of full Council in July 2019, and through this committed “to action to address the ecological and climate crisis that we face”. The Council is committing to achieve ‘net zero’ carbon emissions associated with Council activities by 2030 and to promote wider action to help reach ‘net zero’ emissions for Wirral no later than 2041. We noted that the Council’s aim of achieving net zero by 2030 is its locally determined contribution to achieving the Cool 2 Wirral target of achieving net zero before 2041 which is consistent with the Liverpool City Region’s net zero ambitions (2040).

The local response to the climate crisis has been developed collectively through the Cool Wirral Partnership. The partnership meets three times a year and has developed the Cool2 strategy.

The Environment, Climate Emergency and Transport Committee approved the Council’s Environment and Climate Emergency Policy, which committed the Council to the establishment of the Environment & Climate Emergency Action Plan (ECEAP). We noted progress and monitoring of the Plan through the Committee.

Granular performance data is also provided via dashboard reporting through the Environment, Climate and Transport Committee. The table below demonstrates the Council’s performance in terms of actual emissions against budget with a comparison over time from 2019/20 (the base line year for reporting). While the actual data has continuously achieved a positive outturn, the trajectory of travel shows that the gap is closing which may lead to the Council not achieving its planned budget outcome in 2023/24 or future years.

Reporting against the ECEAP in June 2023 highlights its priority actions for 2023/24 recording that the ECEAP is under review by the Climate Emergency team, with regards to “the large-scale actions that are vital for the Council to deliver its ambition and that urgent action needs to be taken to ensure the correct policies, investment, and delivery mechanisms are in place to secure carbon reductions across all service areas.” The report highlights the Key priority actions which have been identified for action in 2023/24 to ensure the Council continues the trajectory to keep pace with the carbon budget to meet the net zero target by 2030 and support the Cool2 strategy objectives.



Improvement recommendations

Recommendation 3

To further enhance and strengthen the risk management arrangements in place, the Council should consider an overarching risk surrounding significant and / or complex commercial decisions and Programme delivery.

Improvement opportunity identified

To ensure it maintains a robust framework which manages its most significant risks.

Summary findings

The Council has an established and embedded Risk Management Framework. Our findings and recommendation have been made to further enhance and strengthen these processes.

Criteria impacted by the finding



Financial Sustainability



Governance



Improving economy, efficiency and effectiveness

Auditor judgement

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

Management comments

The Corporate Risks undergo regular review by SLT, Directors and members, and SLT consider including additional risks escalated from Directorate Risk Registers and Programme or Projects. The risks around commercial investment and regeneration programmes are included in these discussions and will continue to be. With changes in the Regeneration and Place Directorate Management Team since December 2022, there has been a strengthening in the programme management, governance and understanding of the risks and risk appetite of the organisation. This is alongside the work undertaken for the review and project re-prioritisation as part of the Pathfinder Simplification funding bid, and progress with the Local Plan through 2023. A report is to be presented to ARMC on 26th March 2024 to provide an oversight of the arrangements.

Improvement recommendations

Recommendation 4

The Council should enhance its reporting of Internal Audit plan progress by Including an overview of progress of completion against planned reviews along with the assurance opinion that has been concluded.

Improvement opportunity identified

To provide the Committee with real time assurance and an indication of what the year end Head of Internal Audit Opinion may be.

Summary findings

Items to note include key messages and narrative in respect of individual reviews which have been carried out, but reporting does not provide assurance opinions. It is also not clear if delivery is in line with the plan.

Criteria impacted by the finding



Financial Sustainability



Governance



Improving economy, efficiency and effectiveness

Auditor judgement

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

Management comments

New reporting will encompass some form of real time reporting as well as formal reporting to Committee meetings and is scheduled for implementation during 2023/24.

Improving economy, efficiency and effectiveness



We considered how the Council:

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

Use of financial and performance information

The Council has processes in place to monitor and report upon its Directorate performance and is developing regular performance reporting against the Council Plan.

Wirral's strategic ambition and priorities for the Borough were brought together in September 2021 when the Council agreed the Wirral Plan 2021 - 26. The Plan set out the future vision for the Borough based on five thematic priorities.

The Plan was refreshed for 2022/23, aligned to the same priorities but setting out some specific themes over 12 months with a framework of economic and social regeneration and neighbourhood delivery.

We did not see evidence of regular monitoring against all of the Plan delivery outcomes during 2022/23 but did note a six-month progress summary of the 11 'Big Ticket Items' for 2022/23 that were identified in the Wirral Plan refresh.

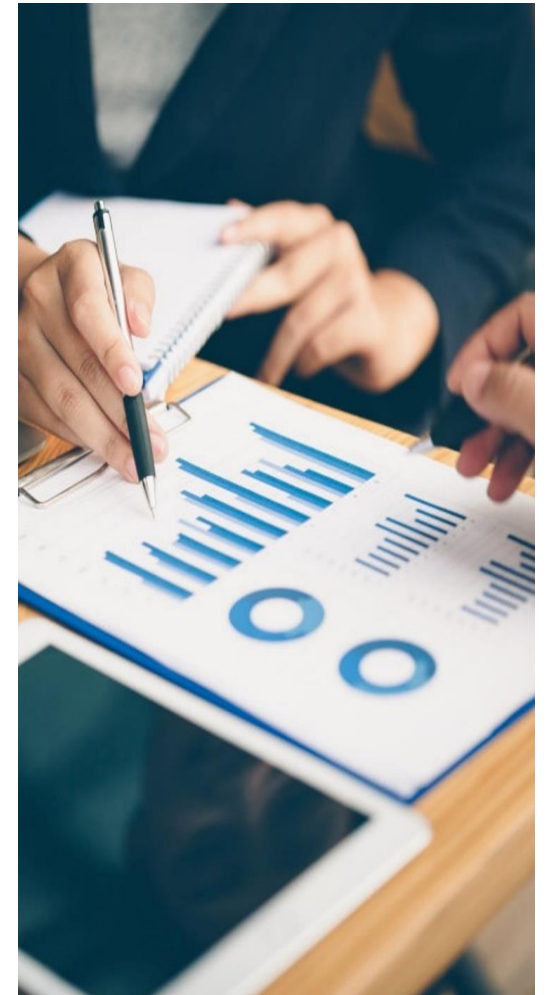
Improvement recommendation 7.

A new Council Plan has now been produced and approved by Policy and Resources Committee. The Plan will run for the four-year electoral term from 2023 to 2027 and is the primary document in the Council's Policy framework. It has been developed to align with the Council's refreshed MTFs and supersedes the Council's Improvement Plan which was approved by Council in July 2022.

The report, presented in November 2023, documents that a performance management framework is being developed that will ensure the ability to measure progress against the new Council Plan over the next four years. For each theme, the following has been developed:

- A set of outcomes which articulate the benefits the Council is seeking to achieve.
- A series of deliverables - what the Council is planning to do to meet those outcomes.
- A set of measures and performance indicators that will be developed and used to monitor progress.

The report documents that following plan approval, further engagement will be scheduled to enable Committees to input into the performance management framework and once approved, the framework will be regularly reviewed and reported to Policy and Resources Committees alongside quarterly financial performance reporting.



Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement

At a Directorate level, the Council uses Power BI to collate and present data which identifies any data quality issues. The Intelligence Team work closely with systems e.g. Liquid Logic for Adults and Children Social Care and these have their own system team. The Intelligence Team also works with developers where there is a new system to ensure data is of the right quality. Finance reporting is also completed via Power BI which is expected to result in further cleaner data once the new Enterprise Resource Planning system (ERP) system is in place. We were also informed of high quality performance reporting processes throughout the Council for example operational performance monitoring that is in place through the Operational Performance Group (OPG), award winning Safer Wirral tracker for Community Safety Partnership and Community Committee.

We reviewed a sample of performance reporting data and noted the following:

Children, Families and Education

2022/23 Quarter 4 reporting to Children, Young People and Education Committee in June 2023 notes that the design and content of the report was developed at a Performance Monitoring workshop in March 2021. The data provides a clear overview of quarterly performance in 2023 providing direction of travel and trend reporting. The data is compared against the annual figures for the previous three years and against regional and national performance where available. This is supported by summary narrative.

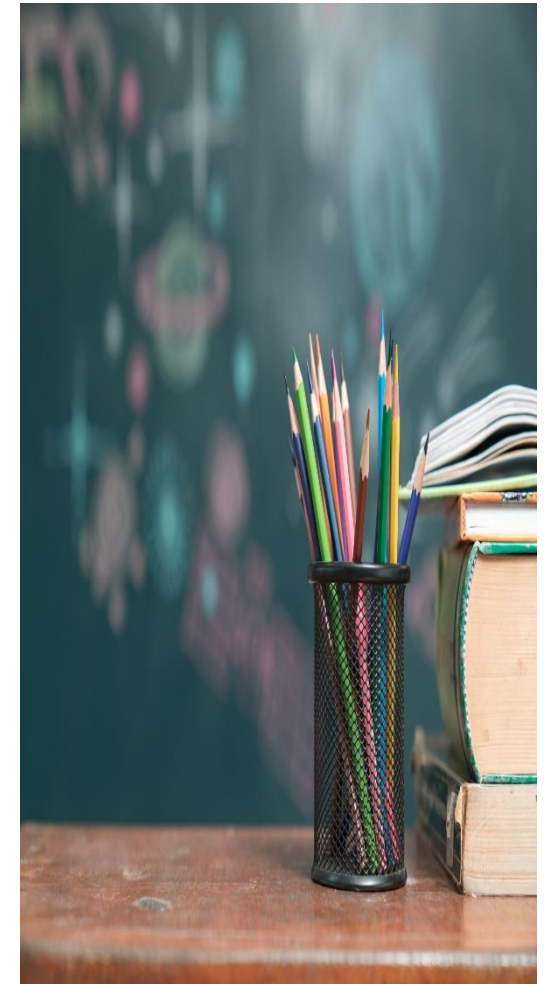
However, the data does not include target performance scores or a RAG rating to provide assurance or to identify issues or emerging risks which is demonstrated in the extract below:

Keeping children safe											
	Year-End			2022/23				National (21/22)	North West (21/22)	Stat Neighbours (21/22)	Trend
	2019/20	2020/21	2021/22	Q1	Q2	Q3	Q4				
% of Early Help cases closed with outcomes met	80.3%	91.6%	83.6%	85.3%	77.5%	84.1%	88.7%	-	-	-	
% Repeat referrals within 12 months period	27.6%	23.5%	21.5%	24.9%	25.8%	22.7%	20.3%	21.5%	22.0%	19.9%	
% Assessments completed within timescale	82.6%	78.8%	81.1%	83.0%	76.0%	71.0%	72.0%	84.5%	81.2%	83.9%	

The table demonstrates that the % of Assessments completed within timescale was reported at 72% in Q4. This is lower than reported figures in the previous three years and lower than the national, regional and neighbour performance in 2021/22. However the Key Performance Indicator (KPI) target is not recorded so the scale of under-performance is not clear.

The supporting narrative comments report that there continues to be a number of vacancies across the social work teams which will impact upon capacity to work within defined timescales and that this area of performance will continue to be monitored during regular service performance meetings. The narrative does not identify if further actions have been identified to be taken in the short or medium term to support improved outcomes.

Improvement recommendation 8.



Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement

We reviewed the Quarter 4 performance report presented to the Adult Social Care and Public Health Committee in June 2023. We noted that the information is clearly presented, providing an overview of the current position. However, where performance is not achieving target expectations; the report does not always identify if further actions have been identified to be taken in the short or medium term to support improved outcomes (it is recognised that not all indicators are directly controlled by the Council).

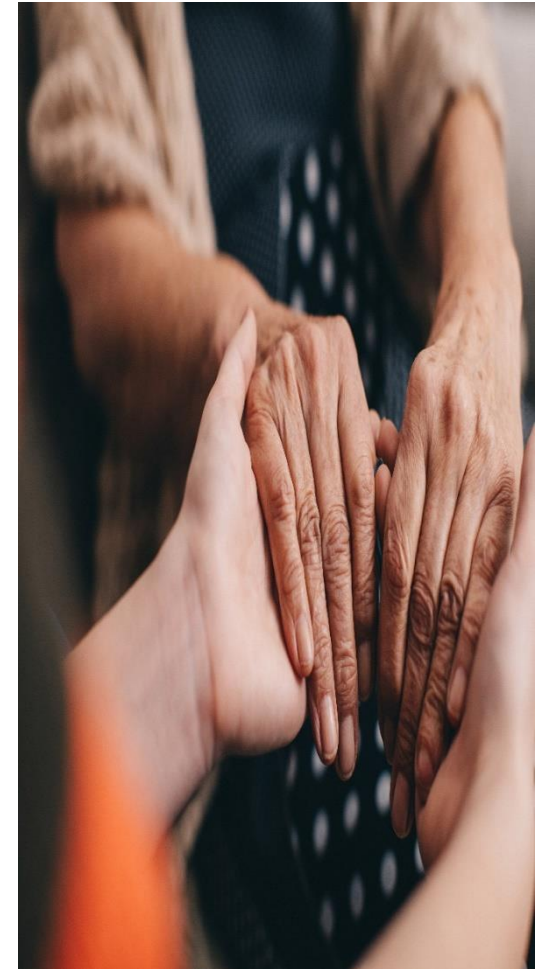
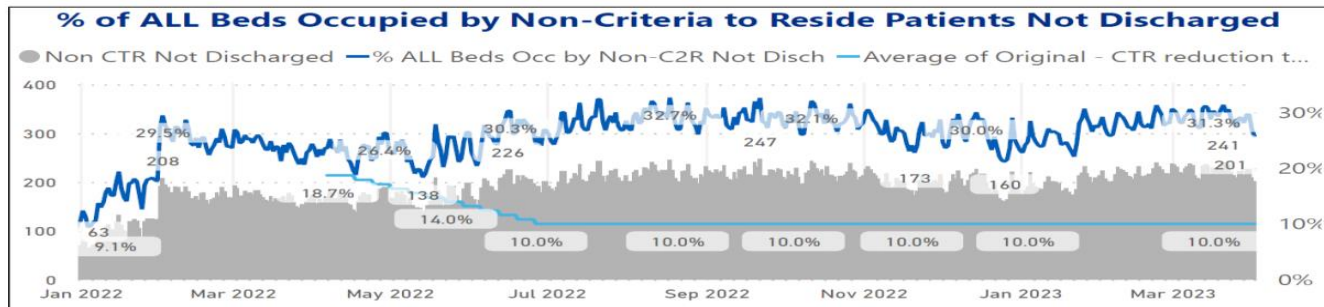
Improvement recommendation 8.

Mandatory KPI performance data is shown by month and RAG rated in terms of whether the target has been reached. We note that, out of 13 indicators, five were RAG rated red and below target at the end of the year, there are:

- % of Safeguarding concerns (contacts) initiated by Cheshire Wirral Partnership within 5 days: 94% (target 95%)
- % of care packages activated (in Liquidlogic) in advance of service start date: 37% (target 50%)
- % of initial contacts through to completion of assessment within 28 days (3 conversations): 49.2% (target 70%)
- % of safeguarding enquires concluded within 28 days: 48% (target 60%)
- % of individuals who have had an annual review completed: 47% (target 60%)

The report notes that the range of performance measures and KPIs are monitored regularly through internal reporting and through contract discussions. Action is taken where needed to address any areas identified where performance can be strengthened.

The chart below shows the Non-Criteria to Reside data from the Wirral University Teaching Hospital (WUTH) NHS Foundation Trust. These are people who currently reside in a hospital bed and no longer meet the clinical criteria to reside there; which may be impacted by the Council’s continuing healthcare availability. The dark blue line represents % of beds occupied by Non-Criteria to Reside patients who have not been discharged, which is currently 28.5% of all beds. The grey bars represent the number of beds occupied by Non-Criteria to Reside patients who have not been discharged, which is currently 201. The light blue line represents the target % of how many beds should be occupied by Non-Criteria to Reside patients which is 10%. (Data Source: Cheshire and Mersey NHS Integrated Care Board):



Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement

Special educational needs and disability (SEND)

In September 2021, the local area's services for children and young people with Special Educational Needs and Disabilities (SEND) was inspected by Ofsted and the Care Quality Commission (CQC). As a result of the inspection, the local area was required to submit a Written Statement of Action (WSOA) to address the ten areas of improvement which had been identified. This was approved by Ofsted on behalf of the CQC on 28th March 2022.

The SEND Transformation Board has overseen WSoA activity since April 2022, with monitoring provided by the Department for Education and NHS England.

From review of Children, Young People and Education Committee papers, we have evidenced reporting and oversight. At its meeting, held in November 2022, we noted the agreement for a 'check-in' to be undertaken with stakeholders to ensure that activity was correctly prioritised for the coming 12 months. At its meeting in March 2023 we noted the update on SEND Transformation Programme activity, an overview of the *check-in* with stakeholders and details of the Priority Plan 2023 for the SEND Transformation Programme.

Reporting in July 2023 provides an overview of progress supported by a position statement that has been developed, involving all stakeholders working on the WSoA and its six workstreams. The report notes that 'Deep Dive' workshops have been held to agree the current position, detail evidence of progress, and identify areas for further focus. Following the Deep Dive workshops, the WSoA has been fully updated. There are 106 actions within the WSoA, the report notes that 57 were fully achieved by June 2023 and 49 nine actions are yet to be completed across the six workstream areas.

The Position Statement has been reported to the WSoA Performance Group, which has membership of both Department for Education and NHS England Advisors. The report documents that it provides those monitoring Wirral's progress with further evidence of activity to improve support and services for children and young people with special educational needs and/or disabilities.

In April 2023 a new Local Area SEND Inspection Framework was published. The change in arrangements means that Wirral will not be subject to a 're-inspection' against the old framework, which would have focused solely on progress against the WSoA. Instead, there will be a full inspection of the Local Area using the new framework. When the inspection takes place, the WSoA will be submitted as part of the evidence in advance and it will be tested by the inspection team, however, this will only be one part of the full inspection programme. This means that the Local Area must continue to deliver the WSoA and ensure improvement in all areas as detailed in the new framework.

The Position Statement will be presented to the SEND Strategic Board to support inspection readiness and a further review of the position statement will be made at the point of inspection, or in 6-months' time, whichever is first to occur.

The Council will need to ensure it maintains momentum in delivering against the WSoA actions to support inspection readiness.



Improving economy, efficiency and effectiveness (continued)

Benchmarking

Benchmarking is an effective tool that enables an organisation to compare and analyse its performance with others. It can provide a basis for collaboration and identify areas for improvement. We noted that the Council subscribes to CFO Insights benchmarking tool and uses this to benchmark costs against similar and neighbouring authorities.

We have also carried out benchmarking using CFO Insights and compared the unit costs for a range of services, based on the latest available data, which is the approved budgeted spend (RA data for 2022/23). We have then associated a unit to the service line to calculate a unit cost, for example population. The unit score analysis then benchmarks against the comparator group eg other Borough Councils. A “Very High” score would place the Council in the top 20%, with “Very Low” placing in the bottom 20%.

The table opposite demonstrates that the Council’s cost per head of population was average overall in comparison to other Council’s. Areas where the unit costs were very high or very low in comparison to other borough Councils is also shown.

Housing Services

Services which benchmark very high include:

- Rent allowances and rent rebates – discretionary payments: Discretionary rent allowances paid to the tenants of private landlords and registered social landlords, rent rebates paid to council tenants living in non-HRA dwellings and enhancements to statutory rent rebates, eg: for war widows.
- Housing strategy, advice, advances, enabling, renewals and licensing
- Housing welfare services provided under the Supporting People programme.

Public Health

Services which benchmark very high include:

- Physical activity (adults and children)
- Substance misuse – treatment for alcohol misuse in adults
- Miscellaneous Public Health Services

The 2019 Indices of Deprivation found that just over 35% of the Wirral population (around 115,500 people) are suggested to live in areas classified as being in the most deprived 20% of areas in England, with over 83,000 of those residents living in the 10% most deprived. Deprivation and health inequalities are very closely linked therefore benchmarking data of very high unit costs in both Housing Services and Public Health triangulates with this national picture.

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Service	Total Budget Cost 22/23 (rounded)	Units	Unit Costs £	Unit Cost Score
TOTAL HOUSING SERVICES (GFRA only) (RA) £/head	9,953,000	320,600	30.69	Very High
TOTAL PUBLIC HEALTH (RA) £/head	31,951,000	320,600	98.51	Very** High
TOTAL HIGHWAYS AND TRANSPORT SERVICES (RA) £/head	5,639,000	320,600	17.39	Very Low
TOTAL ENVIRONMENT AND REGULATORY SERVICES (RA) £/head	13,269,000	320,600	40.91	Very Low
TOTAL SERVICE EXPENDITURE (RA) £/head	502,625,000	320,600	1,549.70	Average

** Public Health funding is a grant so not controlled by the Council.

Comparator Council group data:

- Gateshead,
- South Tyneside,
- Sefton,
- Rotherham,
- Barnsley,
- North Tyneside,
- Calderdale,
- Doncaster,
- Dudley and
- Sunderland.

Improving economy, efficiency and effectiveness (continued)

Partnership working

The Council has established arrangements to report on the performance of its commercial activity, including its wholly-owned and joint-venture companies.

Wirral Evolutions Ltd - a Council owned company, which delivers adult social care services. The company shareholder board provides governance oversight. The board membership includes a Council member to make strategic decisions on the behalf of the Council. In March 2022 the Council decided to bring this service back in-house.

Wirral Council conducted a Value review as to whether the contract for day services for people with learning disabilities delivered by Wirral Evolutions Limited offered sufficient added value to the Council to justify the additional costs of running an arms-length company. Reporting to the Adult Social Care and Public Health Committee in March 2022 documented that Transitioning the service to an in-house provision would also provide the Council with more control over how the service is delivered, improve outcomes for the users of the service and provide greater flexibility on how the service is delivered. A six month transitional period of six months was agreed with the service moving back in-house in late September 2022.

Wirral Growth Company - a limited liability partnership between the Council and Muse Developments Limited. The Council and Muse Developments Limited are equal partners in this venture and are jointly responsible for making all decisions. The partnership was created to promote the economic regeneration of the Borough.

The Council also owns shares in two other companies both of which are currently dormant (Wirral Growth Company Nominee Ltd and Wirral Holdings Ltd).

Edsential - a Community Interest Company jointly owned by Cheshire West and Chester Council and Wirral Council to provide services to the Education sector. The Council owns 50% of the shares in the company and provides governance oversight via a joint shareholder board with Cheshire West and Chester Council.

Edsential provides school support services to over 100 schools. It also provides residential services from the Conway Centre on Anglesey. The Company generates around £19 million in turnover each year, funded directly by the schools who use the service.

The Council has supported Edsential financially in both 2021/22 and 2022/23. The company did, however, set a budget targeting a break-even position in 2023/24.

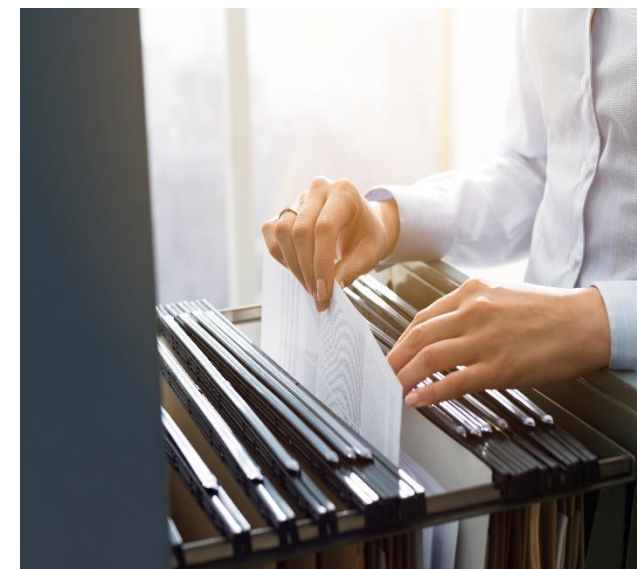
The cumulative loss of the company to 31 March 2022 was £8.3 million, of which pension liabilities represented £6.8 million. A forecast loss in-year to 31 March 2023 of £0.5m (assuming no change to pension liability) implies cumulative losses of £9 million.

The Council and its other shareholder, each agreed a loan in 2022 of £0.857 million and a non-repayable grant of £643,000 to support the company.

The shareholders both agreed in November 2021 to extend the cashflow facility of up to a maximum £2 million per shareholder for a further 5-year period. Edsential, to date have met all previous loan repayments. The values of such loans currently stand at £1m with no impairments.

Edsential continues to see lower demand from schools for residential services, as the cost of living is placing financial pressure onto both schools and parents.

The Council monitors the performance and delivery of its companies, and where support and financial assistance is required this is undertaken through a controlled method of evaluation and decision making. Financial support for Edsential was further extended in 2021 and agreed by both Wirral Council and Cheshire West and Chester Council as this company is seen as a strategic investment in the borough. Edsentials draft business plan shows a breakeven position for 2024 and reflects recovery from a challenging year with high inflation costs incurred on food and energy having a negative impact on the company's finances.



Improving economy, efficiency and effectiveness (continued)

Partnership working - continued

The programme of development for Birkenhead and Wirral Waters are key major developments designed to bring improved living standards and economic benefits to the borough but which carry with them a degree of risk and uncertainty to the Council.

Birkenhead Commercial District (BCD) – The Council has made significant investments in assembling ownership of various sites across the BCD. The new commercial buildings will be constructed to the ‘Excellent’ Standard of the Building Research Establishment Environment Assessment Method (BREEM). This investment is a partnership with Muse as part of the Wirral Growth Company which is a Limited Liability Partnership. The development of this district is a priority for the Council. The buildings are ahead of schedule with completion in the Autumn of 2023. The plan is that the Council will occupy one of the buildings whilst looking to release assets for capital appreciation.

Millars Quay - In partnership with Peel Holdings who are developing the water front, there is significant investment being undertaken to regenerate and develop the area which is one of the largest development undertaking in the Borough. The funding for the developments are through a Pension Investments Corporation who are funding the development with Peel Holding. The project will see 500 apartments built on the water front, and the Council involvement is one of lessor and lessee where it will take an underlease for the 500 apartments for 50 years. Peel will guarantee the rent for the first 10 years of this term, and an option for a further lease after 50 years. There is a cap on the exposure of rental income the Council is at risk for per annum of approx. £2.5 million from year 11.

The **Pyramids/Grange Shopping centre** is the primary retail core of Birkenhead. It has been in a state of decline since 2017 with the growth of online retailing and more recently the Covid pandemic. Approximately one-third of the centre (by income) is vacant. The Council’s actions in respect of seeking to regenerate Birkenhead town centre are aimed at activation of the high street to stimulate new retail, leisure and other commercial uses to encourage investment and spend in the local economy.

In April 2023, the Council presented its full Business Case to Policy and Resources Committee to acquire the Centre.

The report reflects that a cashflow model has been prepared to assess the Net Operating Income (NOI) after capital expenditure and costs of borrowing. The cashflow has been modelled over 10 years and demonstrates that the income stream remains positive allowing for Public Works Loan Board (“PWL”) costs of borrowing at 4.5% and 2% capital repayment per annum and including a further £1.0m of non-recoverable capital expenditure.

Initial valuations estimate a net initial yield of 11.99%, based on current income assumptions.

The risks associated with complex commercial activity is significant. The Council will need to ensure that its assumptions around income and growth remains prudent and that it maintains a robust framework around its capital programme and investment plans to ensure future commercial viability remains positive.

Improvement recommendation 9.

The Council engages in a wide range of non-contractual partnerships. The work of specific partnerships is fed back appropriately via the Council’s Committees.

Some key areas to note include:

Significant progress during 2022 to establish new Health and Care Partnership working arrangements. The inaugural meeting of the Integrated Commissioning Board for Cheshire and Merseyside was held on 1 July 2022.

The Wirral Place Based Partnership Board (WPBPB) met for the first time on 13 October 2022. The WPBPB incorporates the Wirral Council and NHS Cheshire and Merseyside’s Section 75 and other joint decision-making arrangements through a Joint Strategic Commissioning Board Sub-Committee.

Further information can be found on the following pages of this report.

A Partnership Summit took place on 16 November 2022, with further Summits being planned during 2023. A review of Wirral’s Strategic Partnership is underway to propose refreshed partnership arrangements in Summer 2023, building on successful arrangements already in place.

The Council continues to play a key role in the Liverpool City Region Combined Authority, driving Wirral’s interests and securing substantial funding to deliver Wirral priorities. The Council also Chairs the Mersey Dee Alliance, driving further opportunities to link Wirral, the City Region the wider region and beyond.

Improving economy, efficiency and effectiveness (continued)

Partnership working - continued

Integrated Care Partnership (ICP)

There are 42 Integrated Care Systems (ICS) in England. These are local partnerships that bring health and care organisations together to develop shared plans and joined-up services. They are formed by NHS organisations and upper-tier local Councils in that area and also include the voluntary sector, social care providers and other partners with a role in improving local health and wellbeing.

The Cheshire and Merseyside Health and Care Partnership is a statutory Committee jointly formed between the Integrated Care Board (ICB) and all upper-tier Local Authorities that fall within the ICS area. The ICB is a statutory body and is a successor to the previous Clinical Commissioning Groups (CCGs).

Most larger ICSs have a number of place-based partnerships that design and deliver integrated services for particular areas within the ICS. This might be a particular town or borough. Like the ICP, they involve a range of people interested in improving health and care, including the local Councils, the NHS, the voluntary, community and social enterprise sector and other local organisations working alongside local people.

NHS Cheshire and Merseyside will arrange for some of its functions to be delivered and decisions about NHS funding to be made in the region's nine Places – Wirral, Cheshire East, Cheshire West, Halton, Knowsley, Liverpool, Sefton, St Helen and Warrington. While NHS Cheshire and Merseyside will retain overall accountability for NHS resources deployed at Place-level, Place-based partnerships – led by Place Directors – will have freedom to design and deliver services according to local need.

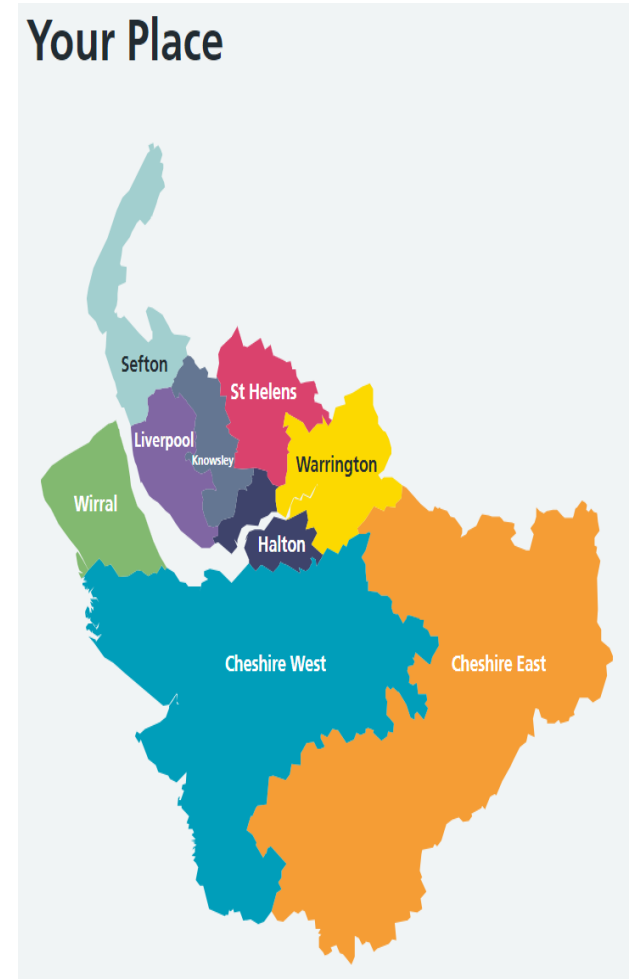
In October 2022, Wirral Council held its first meeting of its newly created Place Based Partnership Board; chaired by the Wirral Place Director. At its meeting held in June 2023 the Board approved the Wirral Health and Care Plan which sets out how the health and care organisations across Wirral will work together to progress its agreed priority areas of work. The Plan sets out the contributions health and care organisations will make relating to addressing the differences in health and care inequalities. The Plan documents that it has agreed its priorities in alignment with those of (but not limited to) the Wirral Plan 2021 – 26, Health and Wellbeing Strategy 2022 – 27 and SEND Wirral Statement of Action.

We have carried out benchmarking of ICB data, and note that that Cheshire and Merseyside ranks in 2nd position (worst performing quartile) out of 42 ICB's in terms of its health deprivation rank. This highlights the importance of partnership working in the wider health economy to tackle health in-equality. Working in partnership, the Council contributes to both the Wirral and wider health and wellbeing for the Cheshire and Merseyside population.

The Council has in place a Health and Wellbeing Strategy – the plan to reduce health inequality. The Strategy is focussed upon reducing Health Inequality and Health and Care Partners in the Borough are working together to reduce these.

The Council's MTFP also includes £5 million per annum in ASC to reduce costs along with a transformation strategy focussed upon high cost areas to enable people to live more independently.

Further details of our benchmarking can be found on the following page of this report.



Improving economy, efficiency and effectiveness (continued)

Partnership working - continued

Integrated Care Partnership (ICP)

Using our bespoke Grant Thornton ICB benchmarking tool, we have used National Audit Office (NAO) data to provide a comparison for population health outcomes within your ICB, compared with other ICBs, this is demonstrated in the table opposite.

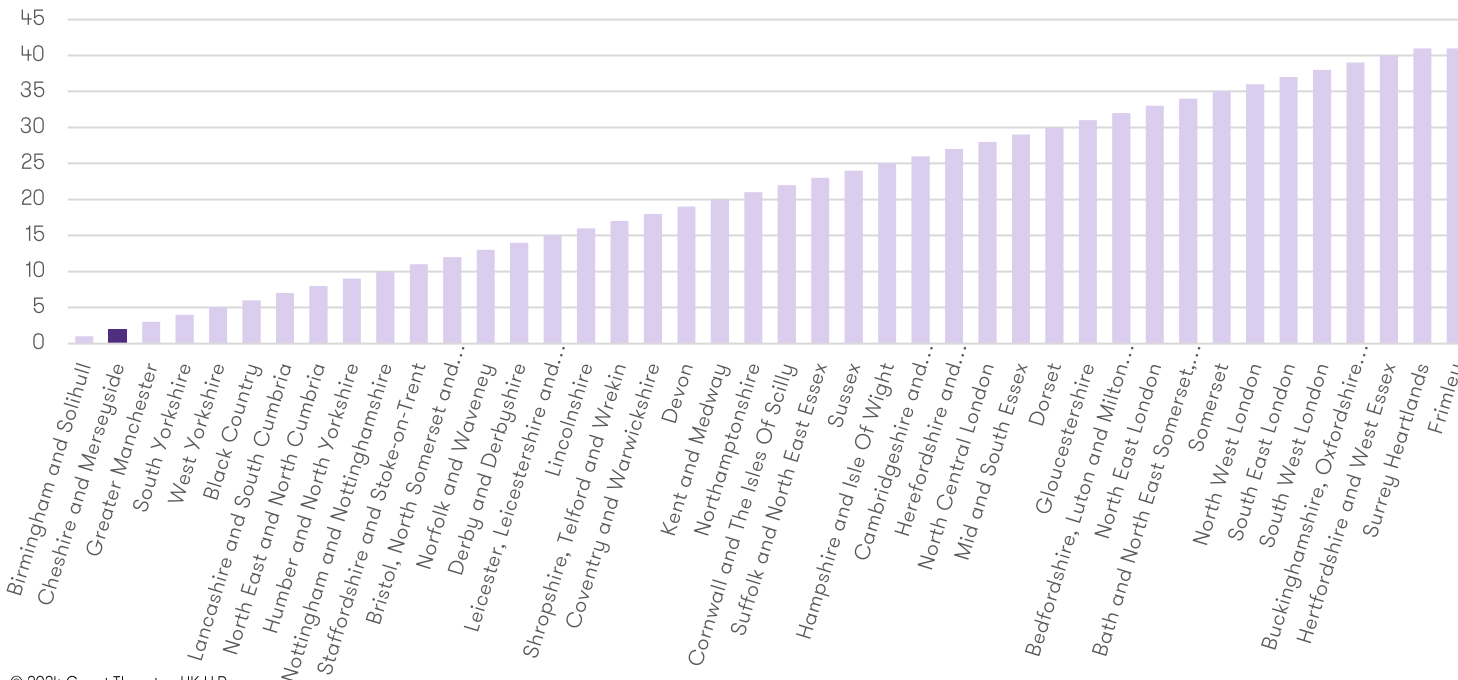
It is evident that that Cheshire and Merseyside faces several significant challenges; with performance being ranked in the worst performing quartile in 11 out of 13 health population metrics.

Overall, the ICS is ranked in 2nd place in terms of the health deprivation indicator; this means it has some of the poorest health outcomes in the country; this is demonstrated in the table below:

Data from 42 ICBs (where submitted)
Data source: NAO ICB Tool

- Red – worst performing quartile
- Amber – 3rd performing quartile
- Light Green – 2nd performing quartile
- Green – Top performing quartile

ICB - Health Deprivation Rank



KPI	Value	Rank
Inequality in life expectancy at birth (female)	9	41
Inequality in life expectancy at birth (male)	11	41
Life expectancy (male)	78	35
Life expectancy (female)	82	37
Neonatal mortality and stillbirth rate (per 1,000 live births and still births)	7	20
Cancers diagnosed at stages 1 or 2 (%)	54	26
Under-75 cancer mortality rate (per 100,000 people)	140	37
Under-75 Cardiovascular mortality rate (per 100,000 people)	140	38
Percentage of adults overweight or obese	67	32
Smoking prevalence in adults	13	32
Alcohol-specific mortality (per 100,000 people)	14	35
Deaths from drug misuse (per 100,000 people)	7	38
Musculoskeletal problems (%)	20	36
Health Deprivation Rank		2
Total population	3,033,517	3

Improving economy, efficiency and effectiveness (continued)

Partnership working - continued

Social Care Delivery

A decision to bring back social workers to the Council was made as a result of the requirement to improve performance in relation to Hospital discharge. It also related to the gap between the statutory provision of social work and the Council as the organisation responsible for the delivery of these services. The decision was covered through the Adult Social Care and Public Health Committee and has resulted in significant improvement in relation to Hospital Discharge performance and no additional cost to the Council.

In 2018, Wirral Borough Council (WBC) approved a Section 75 agreement with Wirral Community Health and Care Foundation Trust (WCHCFT) for the provision of social care services and a Section 75 arrangement with Cheshire and Wirral Partnership Foundation Trust (CWP) for the delivery of All Age Disability Services.

The Section 75 agreement with WCHCFT commenced on the 30th May 2017 for a contract period of 5 years and the Section 75 agreement with CWP commenced on the 17th August 2018 for a period of 5 years.

The Wirral Community Health and Care Foundation Trust contract was due to cease on 01 July 2023.

In March 2022, the Adult Social Care and Public Health Committee approved extensions to these contracts to 30th of September 2023. During this extended period the Council planned to undertake a comprehensive review of the delivery of delegated statutory duties within the integrated arrangements and propose options for future delivery. From review of the documented minutes of the meeting we noted the agreement to submit a report to a future meeting of the Committee in respect of the outcome of the review.

In October 2022, the Adult Social Care and Public Health Committee considered the report outlining the outcome of the Social Care Delivery Arrangements review.

The report concludes that the review found good evidence of positive outcomes of the integrated service model in many areas, but there were also areas identified where the potential opportunities in the current arrangements have not been fully realised and where the Council has reduced ability to focus the development of service delivery to fully meet the priorities and requirements of the Council.

The report summarised three potential options with an overview of the preferred option and the reasons confirming those not recommended:

- The report documents that Option One was preferred: To extend the contracts for a further year until 30th September 2024, with the option to extend and on substantially the same terms, whilst consideration is given to the benefits of moving towards returning the services to the Council's direct delivery whilst also retaining the best aspects of integration.

The report records that *"Although the review has found good evidence of positive outcomes of the integrated service model in many areas, there are also areas identified where the potential opportunities in the current arrangements have not been fully realised and where the Council has reduced ability to focus the development of service delivery to fully meet the priorities and requirements of the Council. A full exercise would be required to be undertaken to identify the benefits, risks, costs and necessary requirements in moving towards returning the services to the Council's direct delivery, whilst also retaining the best aspects of integration that have been achieved. A longer period of time would be required to establish the desired arrangement for delivering services and the requirements to implement any decision to do so."*

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From review of the meeting minutes and observation of the meeting webcast, we noted that some serious concerns were raised. In particular, Members felt that processes being brought in house did not necessarily mean that quality would improve and that there would be a cost element to this. Members also noted concern rated to ensuring there was continued effective integrated services. There has been no impact on the budget and delivery of services during the year. Officers will ensure going forward that concerns raised by Members will be addressed prior to final decisions being made.

The motion to approve option one was approved and seconded.

As part of our initial Audit Planning and Risk Assessment, we raised a risk of significant weakness relating to the Council making the decision to bring the provision of social care services back in house, leading to associated costs. We have not reported a significant weakness in arrangements as a final decision has not yet been made and a further report is planned to be brought by the Director of Care and Health to the Social Care and Public Health Committee setting out the considerations involved in moving towards returning the provision of these social care services and all age disability and mental health services to the Council's direct delivery.

We have included an improvement recommendation to ensure the concerns raised are fully quantified and including robust Financial Modelling and transparency of the costs associated with the transfer supported by ongoing cost benefit analysis and planned quality success measures going forward.

Improving economy, efficiency and effectiveness (continued)



Procurement

Local authorities in England spend around £82.4 billion a year on goods and services. More than a third of all UK government spending on goods and services is spent in the local government sector.

Allowing for capital spending as well, the UK public sector procures around £300 billion a year overall from commercial partners.

Within this, local authorities run local services and deliver high value capital projects every year, balancing the complicated requirements of the Procurement Act and the Social Value Act together, often under close review from electors and other stakeholders. Whole of Government Accounts show that local government spending on goods and services outweighs spending by any one other individual UK government sector.

Given the current focus on net zero, local growth, and efficiency, the opportunity for local authority procurement to make a difference to the wider government agenda has perhaps never been higher. The importance of maintaining good practice has also perhaps never been higher. Local authority members and officers, for the most part, already work well with the commercial partners they appoint. However, with so much public money at stake, there is always scope for continuous improvement and for learning from examples of procurements that did not work entirely as intended.

Commissioning and procurement

The Council has in place arrangements for procuring goods and services. However, these have been identified by the Council as requiring further improvement, which is planned for the forthcoming year.

Procurement

The Council's total spend is approximately £400 million per year with around £255 million across circa 1,800 trade suppliers each year. £180 million of this is spent with the top 50 suppliers, which equates to 70 per cent of our addressable budget.

The Council updated its Procurement Strategy in September 2023. The Strategy commits to supporting the Wirral economy and wherever possible the Council will use locally based organisations to deliver the goods, works and services, under value for money considerations. As an average, approximately 29% of addressable spend is with local companies.

In 2022 the Local Government Association (LGA) revisited the national strategy published in 2018 to provide guidance and direction to procurement activities within local authorities.

The strategy introduced three key themes around leadership, commercialisation and benefit realisation; it is evident from review that the updated Strategy aligns with these themes.

The Strategy is underpinned by Contract Procedure Rules (CPRs) which set out the processes which must be followed for all procurement activity including the approval process and financial delegations.

The CPRs also provides the criteria in which exceptions to the rules can be made ie. requests to waive these rules or when contracts may be extended.

Procurement is an area identified by the Council as requiring further improvement. In the 2022/23 Annual Governance Statement it documents that "There are a number of areas where it is recognised compliance with internal control procedures for procurement needs to improve." as a significant governance issue and has identified a number of actions and area of focus that will be taken during 2023/24. These include (but not limited to):

Adoption of a new 'no PO, no Pay' policy to be launched in conjunction with the implementation of the new Oracle Fusion system.

- CPRs will be updated to amend the sign off process for contracts and waivers to improve the visibility of the issues arising and the support required.
- The procurement team will be restructured to provide additional support on a thematic basis to the directorates to ensure best practice and value for money.
- A new contract register has been created as part of the new Oracle Fusion system which will be fully populated during the year.
- Training is being rolled out by the procurement team bespoke to individual teams and directorates to communicate the requirements around good procurement alongside the planned changes.

Improving economy, efficiency and effectiveness (continued)

Procurement - continued

The Council has a Procurement Pipeline page on the public website where a contract register with details of the contract, end date, review date, initial contract, available extensions and period, option to extend and total contract.

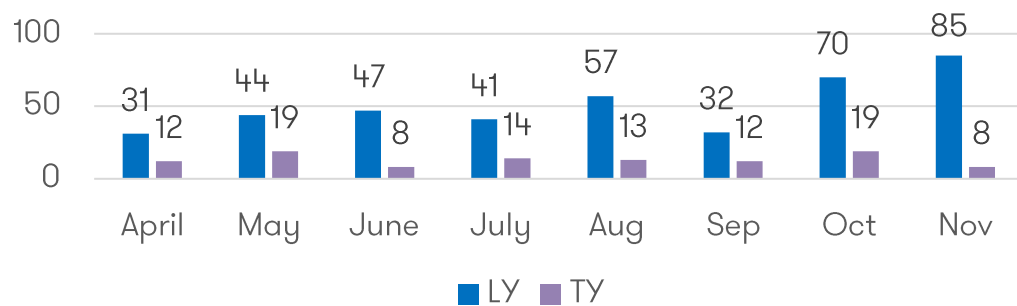
From discussion with the Head of Procurement we noted that there are processes in place to ensure Contract Managers are prompted six months before expiry of a contract to ensure the appropriate action is taken and a timely procurement exercise can be undertaken.

Poor contract management processes can often lead to increased costs to the Council where market conditions have not been tested, ineffective service provision or large numbers of exceptions (waivers). Weaknesses in the waiver process may also lead to it being a substitute for inefficient or ineffective procurement and contract management processes.

A Contract Exceptions report shows the Council issued a total of 530 exceptions in 2022/23. From our discussions with key staff it was confirmed that the controls in place during this time were weak with little challenge in respect of the requests for exceptions made.

The Head of Procurement has introduced a number controls to improve performance. This includes the requirement for all exceptions to be approved by the Head of Procurement. Approval is also sought from the finance and legal departments.

We note the number of exceptions raised between April and November has reduced significantly in 2023 (shown as TY in the table below) when compared to the numbers raised in the same period in 2022 (shown as LY). This is demonstrated in the table below with a total of 407 waivers in 2022 compared with 105 in 2023.



From further review we noted the monetary value of contracts subject to exception between April and November 2022 was £57.3 million compared with £41 million in 2023. For the full 2022/23 financial year this was £66 million.

It is evident that the number of exceptions have reduced but the value is still significant. While we recognise that there will be instances where waivers are required, we have recommended that requests continue to be checked and rigorously challenged to ensure they meet with appropriate criteria.

Improvement recommendation 11.

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Contract Management

Most Local Authorities have well established central functions supporting their initial procurements, but contracts can span decades and it can be after the procurement is complete that best value is sometimes delivered.

Contract management is often devolved to service lines. This works well with the right support, but risks increase if roles and responsibilities of service line contract managers are not clear; technical knowledge is not kept up to date for the whole life of a contract; and performance indicators within the contract are either unclear or not rigorously monitored.

Sometimes it can be very simple steps that help protect value. Most Local Authorities set up contract registers, but vigilance is needed in keeping these up to date.

Planning future procurements effectively relies on knowing current contracts well. This means having the resources in place to register, monitor and record current progress over the whole life of contracts, not just at the beginning.

Improvement recommendations

Recommendation 5

The Council should ensure the performance management framework is approved and implemented as soon as possible to enable Council Plan performance to be reported and monitored.

Improvement opportunity identified

To improve performance reporting against Council Plan priorities and provide real time assurance.

Summary findings

We did not see evidence of regular monitoring against all of the Wirral Plan delivery outcomes during 2022/23.

Criteria impacted by the finding



Financial Sustainability



Governance



Improving economy, efficiency and effectiveness

Auditor judgement

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

Management comments

Performance monitoring was produced for the Wirral Plan but unfortunately it was not published in committee papers. However, we did have a Wirral Plan Performance Management Framework which was in place.

The new Council Plan Performance Management Framework is in place, approved by SLT and scheduled for Committee in March 2024.

Improvement recommendations

Recommendation 6

To enhance and improve the arrangements for reporting on directorate performance, the Council should:

- Ensure all performance reports include target performance scores, supported by a RAG rated assessment to provide assurance of where targets are being achieved and to highlight areas of concern or under performance.
- Record where further actions have been identified to be taken, particularly in respect of those targets that are not meeting expectations.

Improvement opportunity identified

To improve performance reporting.

Summary findings

Performance reports do not currently provide target KPI scores or RAG ratings to provide an overview of where performance is on track or not meeting expectations.

Supporting narrative does not always provide a summary of further action that may have been identified to be taken, particularly where targets are not currently in line with expectations.

Criteria impacted by the finding



Financial Sustainability



Governance



Improving economy, efficiency and effectiveness

Auditor judgement

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

Management comments

There are already some targets in place, and more are currently being worked on. Although not necessarily the case that performance cannot be monitored without targets, management will review the reporting of targets and performance against targets where appropriate in liaison with SLT.

Improvement recommendations

Recommendation 7

The Council will need to ensure that its assumptions around commercial income and growth remain prudent and that it maintains a robust framework around its capital programme and investment plans to ensure future commercial viability remains positive.

Improvement opportunity identified

The risk associated with complex commercial activity is significant. Many Councils have faced significant challenges in this area.

Summary findings

The Pyramids/Grange Shopping centre is the primary retail core of Birkenhead. It has been in a state of decline since 2017 with the growth of online retailing and more recently the Covid pandemic. Approximately one-third of the centre (by income) is vacant. The Council's actions in respect of seeking to regenerate Birkenhead town centre are aimed at activation of the high street to stimulate new retail, leisure and other commercial uses to encourage investment and spend in the local economy.

Criteria impacted by the finding



Financial Sustainability



Governance



Improving economy, efficiency and effectiveness

Auditor judgement

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

Management comments

The Council takes seriously any financial arrangement it enters into and were necessary the appropriate expert advice is taken.

We are working with an external commercial management company to continuously monitor and assess so that we can minimise the risks, whilst maximising the opportunities within our commercial estate.

Improvement recommendations

Recommendation 8

The Council should continue to check and challenge requests made to waive Contract Procedure Rules.

Improvement opportunity identified

To ensure there are efficient and economic procurement and contract management arrangements in place.

Summary findings

The number of contract exceptions has decreased however the value is still significant. procurement activity.

Criteria impacted by the finding



Financial Sustainability



Governance



Improving economy, efficiency and effectiveness

Auditor judgement

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

Management comments

The Procurement Team has been restructured and recruitment is underway at present (Q4 2023/24) however it should be noted that securing adequately skilled staff has been challenging and re-engagement with the market, alongside a training programme for current staff, has been necessary in trying to implement the new structure; the transformation programme will take time to complete.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 The Council should implement its financial plans in order to enhance financial sustainability. Members and officers should monitor progress closely to ensure the expected progress is made. Members need to take more responsibility for managing the budget process at the outset. This includes setting out clear savings targets for committees as well as engaging at an early stage with the tough decisions that need to be taken and carried through.	Key	2021/2022	<p>The 2022/23 and 2023/24 budget process has included comprehensive planning information as part of the approval process at Policy and Resources Committee. The Director of Finance is continuing to refine and improve the budget and MTFP process. A programme of rigorous financial review has been introduced at directorate and strategic management teams, through internal challenge panels and at Council committees.</p> <p>Finance is also going through a restructure to strengthen the support to budget holders and this will start to demonstrate improvement throughout 2024/25. The appointment of three Heads of Finance will further support the partnering model and allow greater financial support and financial ownership of directorates and budget holders.</p>	Yes	The action is considered addressed, however is in part superseded by the Significant Weakness raised as part of this report which will be followed up as part of the 2023/24 review.
2 The Council should consider if the size and skills mix of the finance team in relation to supporting the key programmes being undertaken.	Improvement	September 2022	The Director of Finance has restructured the finance team and established a new delivery model, including appointment of new staff and a business partnering process. This is being embedded, but operational feedback is positive.	Yes	No
3 The Council should consider updating its People Strategy.	Improvement	September 2022	As part of significant changes at senior management level a wide range of policies and strategies have been reviewed and revised.	Yes	No
4 The Council must carefully review future borrowing plans to ensure that they are realistic and that any further increases will not place undue pressure on the Council's future budgets.	Improvement	September 2022	<p>Capital and Treasury Management Strategies include review of borrowing plans to ensure affordability, and also emphasise the need to maximise external funding and use of capital receipts as part of a wider asset review.</p> <p>However the Council's total debt increased to At 31 March 2023, the total level of Council debt was £316 million at the end of 2022/23, when compared to £236 million</p>	Yes	No

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5 The Council should carry out a more realistic risk assessment of the savings that are identified within the MTFP. Additional savings should be identified to mitigate the risk of changes in assumptions making planned savings targets unachievable	Improvement	2021/2022	The budget setting and MTFP process for 2023/24 have included updates and analysis on savings identified. The Council has delivered well against the savings plans, with mitigation identified as appropriate, with regular monitoring and challenge sessions through internal star chambers. Savings have been RAG rated in terms of risk to delivery in 2023/24.	Yes	No
6 Consideration should be given to the following improvements to the risk management process as processes become embedded. <ul style="list-style-type: none"> - Update the Risk Management Strategy - Rationalise the number of risks in the Strategic Risk Register - Develop a comprehensive risk management training programme - Enhance the risk register format to include sources of assurance, risk factors and potential consequences. 	Improvement	September 2022	The risk register format has been updated and the number of risks rationalised. Following completion of our review; we were informed that the new Risk Management Strategy has been produced and will be presented for approval by ARMC on 26 March 2024.	Partially	The Council will need to ensure the updated Risk Management Strategy is approved and implemented as planned.
7 Noted improvements in member financial awareness during 2022/23 should be further enhanced by : <ul style="list-style-type: none"> - Embed financial awareness training for members on an annual basis - Embed improved financial data report and provide further enhancements on the implementation of the new Oracle Fusion ERP system. 	Improvement	September 2022	Member training and development has been implemented. Financial data reporting is expected to improve on implementation of the new Oracle Fusion ERP system.	Yes	No

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
8 The Council must implement its plans to rationalise leisure related expenditure.	Improvement	2021/2022	<p>The 2022/23 outturn position was an overspend position in Neighbourhood services, contributed to by the shortfall in expected income.</p> <p>The Council has permanently closed one of its leisure centres and four of its golf courses to reduce the financial burden of the service on local authority finances.</p> <p>Furthermore, the Council has recently commissioned a report that looks at both short- and long-term options for both the delivery and operation of its Leisure Services.</p> <p>The short-term options will identify efficiencies, savings or cost avoidance activities that can be achieved to support the Councils Medium Term Financial Plan. The long-term options will consider current regeneration activities and identified future priorities and maximise any potential grant funding or third-party investment.</p> <p>The report will also recommend a future target operating model for the service which could be via an alternative delivery vehicle.</p> <p>Revenue savings will be reinvested into capital improvements to drive long term benefits and outcomes. The final report is expected in early March 2024 however the programme of short term efficiency improvements will commence with immediate effect. The Council is expecting Leisure Services to deliver a minimum £3 million of savings across the next three financial years.</p>	Yes	The action is considered addressed, however effectiveness and outcome will be followed up as part of the 2023/24 review.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>9 Senior Officer and Members should closely monitor procurement activity to ensure expected improvements are achieved on a sustainable basis.</p> <p>The Procurement strategy should be updated to ensure it meets the requirements of the national strategy with clear links to social value and transparency and brings the whole process together within the Council. The number of purchases without a purchase order and contract waivers and extensions should be reduced.</p>	Improvement	September 2022	<p>The Procurement strategy has been updated. The number of waivers has reduced significantly however the value is still very high.</p> <p>The Procurement Team has been restructured and recruitment is underway at present (Q4 2023/24) however it should be noted that securing adequately skilled staff has been challenging and re-engagement with the market, alongside a training programme for current staff, has been necessary in trying to implement to the new structure; the transformation programme will take time to complete.</p>	Yes	The action is considered addressed however, we have raised an improvement recommendation to ensure that the Council continues to provide rigorous challenge in respect of requests for waivers.
<p>10 High cost areas identified through benchmarking should be reviewed to understand why costs are higher than comparable Councils and the necessary actions taken to bring costs into line with lower cost authorities where better practice is identified</p>	Improvement	September 2022	<p>The 2019 Indices of Deprivation found that just over 35% of the Wirral population (around 115,500 people) are suggested to live in areas classified as being in the most deprived 20% of areas in England, with over 83,000 of those residents living in the 10% most deprived. Deprivation and health inequalities are very closely linked therefore benchmarking data of very high unit costs in both Housing Services and Public Health triangulates with this national picture.</p> <p>The Council has in place a Health and Wellbeing Strategy – the plan to reduce health inequality. The Strategy is focussed upon reducing Health Inequality and Health and Care Partners in the Borough are working together to reduce these.</p> <p>The Council's MTFP also includes £5 million per annum in ASC to reduce costs along with a transformation strategy focussed upon high cost areas to enable people to live more independently.</p>	Yes	No

Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

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

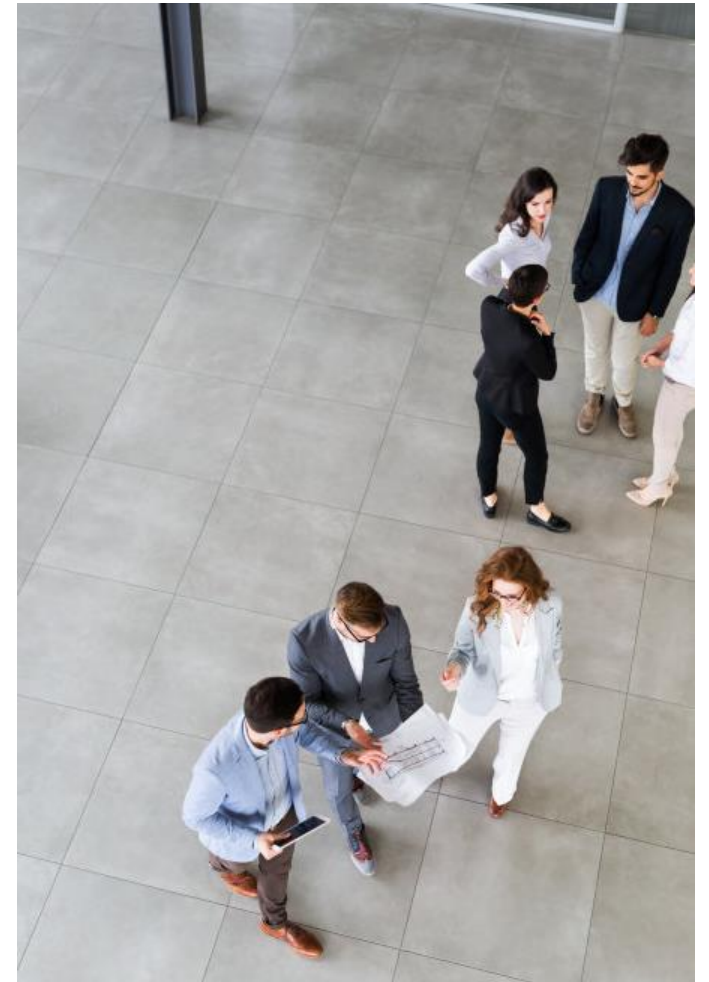
We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

We issued an unqualified opinion on the Council's financial statements on 16 February 2024.

The full opinion is included in the Council's Annual Report for 2022/23, which can be obtained from the Council's website.

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



Opinion on the financial statements



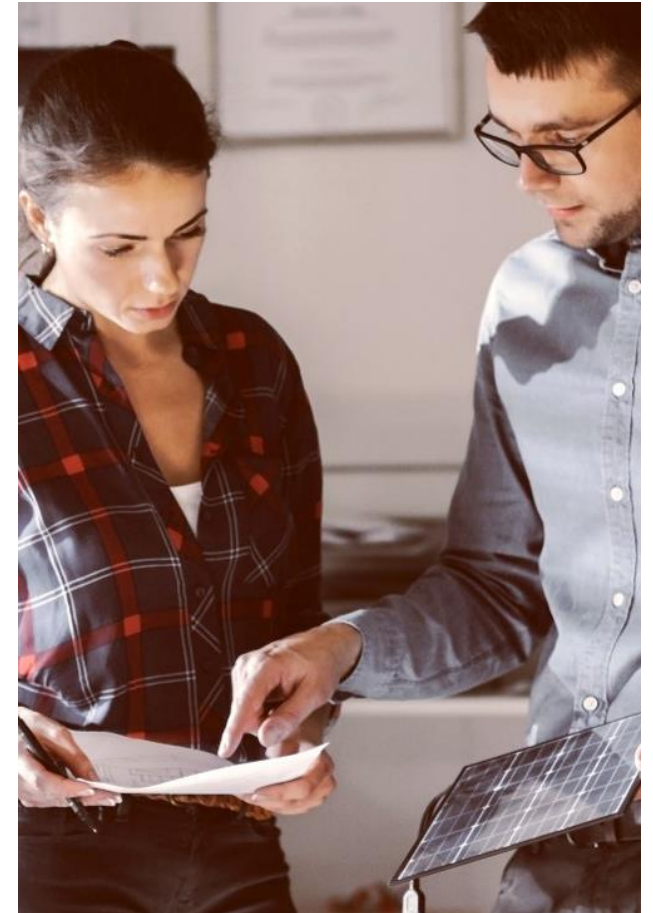
Timescale for the audit of the financial statements

- The Audit Plan was issued and presented to the Audit and Risk Management Committee on 27 June 2023.
- The audit was carried out between July to December 2023
- The Council provided draft financial statements in line with the national timetable
- The number of adjustments made to the accounts had significantly increased compared to prior years' audits. The decision to adjust for certain non material errors was not clearly communicated in all cases which resulted in further work being performed to ensure sufficient assurance was obtained on the financial statements.

Findings from the audit of the financial statements

We have identified seven adjustments to the financial statements that have resulted in a £3.6m adjustment to the Council's Comprehensive Income and Expenditure Statement (mainly as a result of the updated actuarial valuation of the Merseyside Pension Fund).

More detailed findings are set out in our Audit Findings Report, which was presented to the Council's Audit and Risk Management Committee on 12 December 2023. Requests for this Audit Findings Report should be directed to the Council.



Other reporting requirements



Other opinion

At the completion of the audit, we also issued a separate unqualified opinion on the Pension Fund and on the Pension Fund Annual report.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 12 December 2023

Whole of Government Accounts

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

Our work found no issues to report.



Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

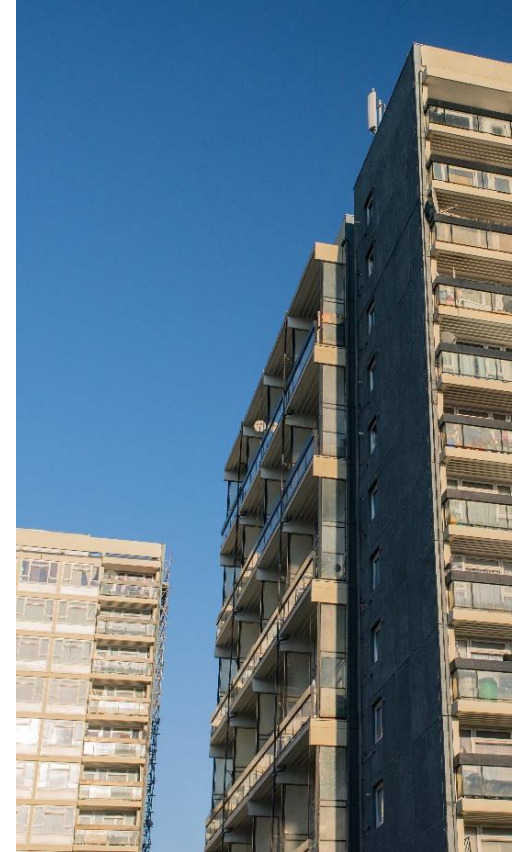
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B:

An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	Page 8
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Pages 20 - 21 Pages 29 - 30 Pages 43 - 46



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