

Auditor's Annual Report on Wirral Metropolitan Borough Council

2021/22

November 2023



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
Opinion on the financial statements and use of auditor's powers	06
Key recommendation	07
Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources	08
Financial sustainability	09
Improvement recommendations	17
Governance	20
Improvement recommendations	25
Improving economy, efficiency and effectiveness	27
Improvement recommendations	31
Follow-up of previous recommendations	34
Opinion on the financial statements	38
Appendices	
Appendix A – Responsibilities of the Council	40
Appendix B – Risks of significant weaknesses, our procedures and findings	41
Appendix C – An explanatory note on recommendations	42
Appendix D – Sources of evidence	43
Appendix E – Key acronyms and abbreviations	44

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 improvement recommendations

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 2021/22 is the second 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. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	The Council is in a difficult financial position financially and was only able to manage its 2020/21 financial position through the capitalisation of revenue expenditure. For 2021/22 the Council is also reliant on exceptional financial support in the form of a capitalisation directive to achieve a year end balanced budget	Significant weakness in arrangements identified and key recommendations made	Significant weakness in arrangements identified and key recommendations made	↔
Governance	The Government external assurance review identified weaknesses in the Council's governance. There has been an inability to make key decisions such as the approval of realistic savings plans	Significant weakness in arrangements identified and key recommendations made	The Council has, as planned, addressed the significant weakness. We have raised further improvement recommendations	↑
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified, but improvement recommendations made	↔

	No significant weaknesses in arrangements identified or improvement recommendation made.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Financial sustainability

In September 2022, we reported our 2020/21 Annual Audit Report to Members raising significant concerns about the Council's financial sustainability in the light of the Council requiring to capitalise revenue expenditure in year.

During 2021/22 two reports were commissioned, one looking at the Council's financial position, undertaken by the Chartered Institute of Public Finance and Accounting (CIPFA) and one looking at governance arrangements undertaken by Ada Burns, Chief Executive of Darlington Council. The CIPFA report, issued in November 2021, concluded that adequate actions had not been taken in previous years to address the Council's budget gap which had placed strain on reserves and made recommendations in 10 areas to help improve this position. The financial position has not been remedied in 2021/22 and further capitalisation of revenue expenditure was required to balance the budget.

We note that the Council has continued to implement its improvement plan following the previous reports, however due to the timing of the reports, the Council continued to require capitalisation to balance the 2021/22 financial position. We therefore consider that there continues to be a significant weakness in the arrangements in place for 2021/22 and have made a further key recommendation. We do note that the Council set a balanced budget for 2022/23, without the need for capitalisation, although there was a planned use of earmarked reserves in order to set this balanced budget, effectively reducing the balance of planned earmarked reserves to £53m by 31 March 2023. Continued use of reserves to balance the budget impacts on the long-term financial sustainability of the Council as this reduces the Council's ability to manage future unforeseen circumstances.



Governance

The Governance report by Ada Burns, noted that the Council was on an improvement journey but was unable to conclude whether the governance, leadership and mechanisms were yet in place to take assurance that the necessary sustainable transformation would be achieved.

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 with a view to providing the stability over the medium term to allow key decisions to be taken.

Our review of governance has found generally adequate arrangements to be in place but we have made improvement recommendations to further help improvement.

The prior year significant weakness for governance related to the arrangements when entering into new regeneration transactions and the need to obtain financial reporting advice. Financial reporting advice has now been sought on the arrangements and no new instances of complex regeneration transactions have been identified.



Our audit of your financial statements was completed in October 2023.



Executive summary



Improving economy, efficiency and effectiveness

While adequate performance monitoring processes were found to be in place, we have still identified areas where expenditure is higher than expected, particularly in relation to leisure services. While plans are now being put in place to address this, these issues were not addressed in 2021/22 and we are still to see any improvement in performance feed through to improved financial results for 2022/23.

The Authority works closely with local partners such as the Liverpool City Region Combined Authority and organisations across the local health economy to deliver services within the area. These are effectively monitored to ensure appropriate delivery

We commented last year on potentially inappropriate actions being taken in the area of regeneration which may have put unnecessary financial burdens on the Council. These activities have been reviewed and no similar arrangements were entered in to during 2021/22.

Actions were also taken in year to review inadequate procurement processes identified. However these remain early days in the procurement improvement journey and senior officers and Members need to monitor developments closely to ensure sustained improvement is achieved. We note that the Council has continued to make progress in this area after the year end including the appointment of a new Interim Head of Procurement and a revised version of the Procurement Strategy consulted on. We have made improvement recommendations to help development

Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

Our audit of your financial statements is in progress and scheduled to complete by 31 March 2023.

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 issue any statutory recommendation during 2021/22.

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 any Public Interest Report during 2021/22.

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 issue any application to the Court during 2021/22.

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 notice during 2021/22.

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 issue any judicial review during 2021/22.

Key recommendation



Recommendation 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.

Why/impact

While improvements are being made, the underlying finances of the Council remain fragile with significant improvements required to achieve stability. The Council needed a capitalisation direction to allow the capitalisation of revenue expenditure in 2021/22 to balance the books. We can see continued improvements in 2022/23 which we will assess in our 2022/23 work

Auditor judgement

Recent improvements since the CIPFA and Ada Burns review including appointment of the independent panel and preparation of a financial recovery plan mean that improvements are being made however during 2021/22 the improved arrangements were being implemented and are not assessed as being embedded and the significant weakness for 2020/21 remains in place for 2021/22.

Summary findings

The need for capitalisation to support a balanced budget indicates a significant weakness in arrangements in 2021/22 and the key areas of weakness identified in 2021/22 include :

- Need to use capitalisation funding to balance the revenue budget
- Failure to deliver planned savings
- An inadequate level of General Fund reserves
- Lack of ownership of budget at Committee level
- Inadequate financial reporting

Management Comments

The work through the independent panel, improvement plan and closer monitoring of budgets including member training has allowed the Council to have more timely informed information for decision making. Work is continuing to develop and train officers and members in financial resilience. Following the appointment of two new statutory officers in January 2023 further strengthening of the senior leadership has taken place.

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



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).



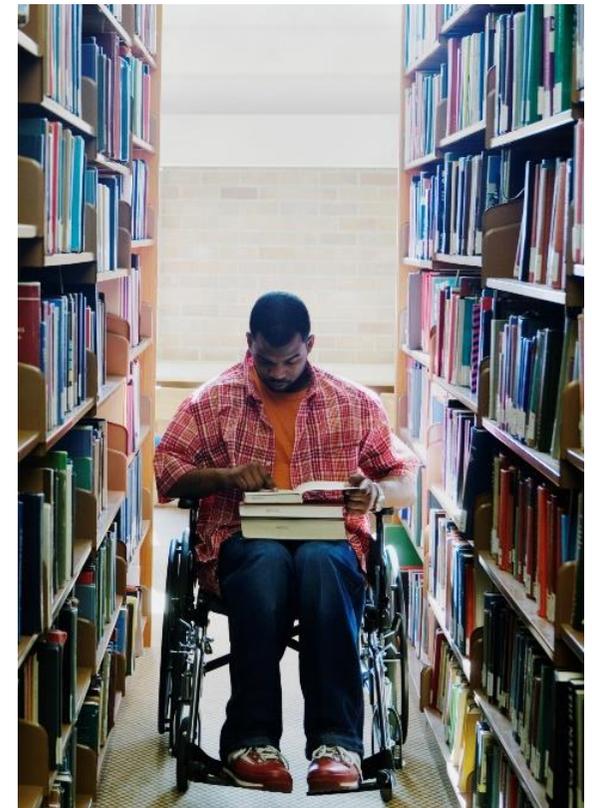
Governance

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.



Our commentary on the Council's arrangements in each of these three areas, is set out on pages **7 to 23**. Further detail on how we approached our work is included in Appendix B.

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.

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

Covid-19 remained a factor during 2021/22 with the knock-on effects on local government finance impacting income with shortfalls due to the cessation of services and reduction in collection of both Council Tax and Business Rates. While government grants have covered part of the general shortfall, councils continue to operate in an environment of financial uncertainty. During 2021/22 the cycle of lockdowns and other restrictions came to an end.

In October 2020, the Policy and Resources Committee approved the request for exceptional financial support (capitalisation directive) to enable a balanced budget to be reported for 2020/21 and 2021/22. The capitalisation direction was approved for up to a maximum value of £10.7m for 2021/22, subject to conditions. This was approved although only £5.846m was required to be drawn down in 2021/22 to balance the budget due to additional efficiencies delivered in year.

The Medium-Term Financial Strategy (MTFS) predicted a surplus position of £25.2m for the period 2021/22 to 2025/26 with a £1m surplus in 2021/22 after capitalisation of £10.7m. Following an independent review by CIPFA and a reassessment of the MTFS, by March 2022, the 2022/23 position forecast a balanced budget for 2022/23 but indicated a budget gap of £62.6m between 2023/24 and 2026/27. The Annual Budget for 2021/22 and MTFS included £24.6m of savings proposals in order to achieve a balanced budget with savings required of £83.2m over the medium term. These savings have not been achieved in the past which has led to the Council requesting exceptional financial support from the Treasury via the Department for Levelling Up, Housing and Communities. (DLUHC)..

The Council had incorporated into its financial plans assumptions around demand for services especially for Adult & Children's social care with the borough experiencing significant demographic growth. Assumptions around council tax and business rate growth and collection issues for both are included within the MTFS and reviewed annually by the finance team. The assumptions made appear reasonable.

The financial plans do include assumptions for key expenditure drivers such as increased demand for Adult Health Care (3% demographic growth per annum quoted in the Budget report for 2021/22). Higher cost of care fees are incorporated into the financial plans as an ongoing impact of Covid 19 and resulting higher charges from increased Personal Protective Equipment (PPE), greater infection control measures and higher insurance costs. At the time of agreeing the 2021/22 budget, the Council had already committed to helping providers pay the Real Living Wage to all their employees. The continuing trend for the growth in the number of children requiring care and costs associated with the complexity of their needs is driving costs up within Children and families services. Overall, the budget for 2021/22 included pressures and growth that were expected to increase costs by £48.5m compared to the previous year.

The Council has in recent years relied on reserves and one-off capital receipts to balance the budget and continues to build into the MTFS assumptions and reliance on the generation of future capital receipts which is sensitive to the fluctuations in the property market and changes in land values. The CIPFA Finance review on Council identified that the financial plans do not represent clear well thought through plan to address the financial challenges the Council faces in the medium term. The CIPFA review further identified, the Council's "current financial plans do not address the prevailing culture, which avoids making tough decisions and are by no means certain of success".

Financial sustainability

Savings plans have not been based on realistic assumptions, for example, in 2019/20, the last year where savings delivery was not affected by the pandemic, the Council planned for a target savings of £41.75m but only achieved £29.35m, a large percentage of which were not ongoing savings. There has been reluctance amongst Members to support savings initiatives which has resulted in savings proposals being reversed and hence target savings not being achieved. Following the CIPFA review a financial recovery strategy has been put on place with a view to removing the structural deficit. The 2021/22 budget indicated no budget gap over the medium term. However, while a balanced budget was set for 2022/23 a cumulative budget gap was indicated of £62m over the rest of the medium-term plan.

In addition to the use of capital receipts, the Council has in recent years relied on the use of its reserves to also balance the budget which has resulted in a level of reserves which is considered to be at the minimum level for financial sustainability at £10m. There is a plan to increase these to £15m over the medium term.

Arrangements in 2021/22 were of a standard that a balance budget could not be delivered without the need for capitalisation directives. Recent improvements since the CIPFA review including appointment of the independent panel and preparation of a financial recovery plan mean that improved arrangements now appear to be being put in place however these arrangements were not embedded in 2021/22. Members and officers will need to monitor progress closely to ensure the expected progress is made.

Local Government finance settlements have only been provided for one year for many years now and in common with other local authorities, this makes the preparation of savings plans over the medium-term problematic.

The Council does not receive significant levels of income from commercial activities. The Council is usually in receipt of commercial income e.g., from car parks, venue hires, nursery income, leisure services and its traded funerals service. This is not significant, although it has had to compensate for lost income in 2020/21 and 2021/22 due to Covid. Some of this has been offset by COVID grants, and some by a reduction in costs as services were suspended or reduced due to the pandemic and some by making savings elsewhere. As a result of the financial pressures faced by the Council and the increased scrutiny it is under, difficult decisions have had to be considered and proposals were put forward for the 2022/23 budget to close certain leisure facilities and libraries in order to set a balanced budget. Further savings of £28m have been proposed for 2023/24 but a budget gap over the five year MTFS still remains at £35m at March 2023.

How the body plans to bridge its funding gaps and identifies achievable savings

For 2021/22 the Council received a conditional offer of exceptional financial support (capitalisation directive) of £10.7m from DLUHC. Part of the conditions attached to this capitalisation directive are that the Council must evidence that it has robust processes in place to monitor the 2021/22 in-year financial position, and that the 2022/23 budget setting was underway earlier. The purpose of this is to ensure that it is forecasting a balanced budget position. In order to address this the Council have introduced an updated governance process to challenge and scrutinise budget performance during 2021/22, develop the 2022/23 budget and a balanced MTFP.

The 2021/22 budget presented to Council on 1 March 2021 was subject to public consultation from 21 December 2020 to 29 January 2021. The public consultation enabled the public to feedback on the proposed savings plans. This feedback was presented to Council as part of the budget pack, enabling Members to take into consideration the views of these stakeholders, along with their own feedback on the proposed savings for 2021/22. This stakeholder engagement led to a number of proposals removed from the budget by Council.

The 2021/22 budget presented to Council on 1 March 2021 requires delivery of £24.6m of savings in order to deliver the forecast outturn position of £1.0m surplus. The majority of these savings are recurrent as, in the MTFS, they roll forward to the following years budget baseline. The draft outturn position showed a break-even position and relied upon capital funds to deliver as agreed with DLUHC.

As a result of the conditions attached to the capitalisation direction, the Council introduced a new process for the monitoring of the savings delivery programme which required 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 Policy and Resources Committee holds overall responsibility for delivery across the whole budget of the Council and to ensure that each of the individual Committees do not work in silos with regards to under/over spends against budget. The improvements in arrangements during the year are expected to meet the Council's need and we will comment on their impact in future reports.

Savings plans in 2020/21 and 2021/22 were disrupted due to Covid. This does not provide a clear indication of the Council's track record of saving delivery. As reported last year, the Council does not have a strong track record of delivery of savings pre Covid.

Financial sustainability

The MTFS from 2021/22 to 2025/26 presents that the Council is able to deliver a balanced budget across the period. The MTFS does not indicate that the Council plans to use reserves to achieve this forecast position. The current reserves position of the Council is that General Fund reserves equate to 3.3% of the net revenue budget for 2021/22, less than the 5% aim of the Section 151 Officer as set out in Section 25 statement. This indicates that the Council have limited financial resilience were any of the proposed savings failed to be delivered, posing a concern around financial sustainability. Our illustration on the next page shows reserves are low against comparable councils with General fund and non-schools earmarked reserves at 35% of net service revenue expenditure against a group average of 69%. This shows that the Council has more to do in improving its financial resilience.

A balanced budget was set for 2022/23. The 2022/23 budget setting process was refined to utilise the Council's Committees to be accountable for identifying, developing and agreeing savings proposals to bridge the residual gap. The purpose of this was to engage Committees through the whole process from savings identification to subsequent monitoring and challenge.

Although the MTFS clearly sets out the forecast position for the Council we have identified concerns around the Council Members' understanding of the financial challenges it is facing and the robustness of the MTFS in addressing these challenges. The MTFS presented is reliant on the delivery of significant savings, many of which do not have a clear and robust plan on how they will be delivered and others which could be considered as having a high delivery risk. The MTFS does reflect on the risks of non-delivery of savings and the impact this would have on the financial sustainability of the Council, with the recognition that there is virtually no scope for variation on savings plans, without alternative matching proposals coming forward to retain the balanced position. This is reflected as a financial risk in the 2024/25 budget papers.

For 2021/22 the Council have introduced new arrangements to monitor the deliver of savings scheme in response to the conditions of the exceptional financial support from MHCLG. The process flows from Officer scrutiny and challenge through to Member scrutiny and challenge as follows:

Officer Governance

- Initial meetings with budget holders and finance business partner (FBP) to review the previous months income and expenditure and to determine future commitments
- Report to DMT presenting the finding of the budget holder FBP meetings
- Challenge and scrutiny by DMTs as to the robustness of the figures and forecast presented.
- Discuss and agree remedial action where necessary
- Referral to the Efficiency and Corporate Effectiveness Group for independent peer challenge
- Referral and/or escalation to Investment and Change Board for organisational oversight in conjunction with other corporate initiatives.
- Referral to specific quarterly Strategic Leadership Team performance meeting for Senior Officer scrutiny and agreement

Committee Governance

- Committees are responsible for ensuring that the budget is spent responsibly and remains within the relevant envelope, identifying savings where possible. Policy and Resources Committee are responsible for ensuring and advising the Council that the entire budget remains in balance at all times or provides mitigating actions to bring the budget back in line, should a deficit be forecast.
- To enable committees to manage and monitor budgets effectively in year, a suite of detailed information will be provided on a quarterly basis outlining budget monitoring, budget savings, reserves and capital budget monitoring.
- Committees have the autonomy (subject to delegation levels) to vire (transfer) budgets from one function to another within their overall committee budget envelope. Virements will also need to be agreed by the Section 151 Officer as there are certain conditions where budgets are not allowed to be vired for the purposes of gaining a specific benefit e.g. where budgets from supplies budget headings are vired to employees budget headings to take advantage of an uplift for pay inflation

Financial sustainability

- Each committee will be responsible for remaining within its overall budget envelope and not overspending. Where an adverse variance is forecast, each committee will be required to take remedial action with detailed plans and timeframes to bring the budget back in line and ensure that overspends are mitigated.

- Where a committee has taken all possible steps for remedial action and is unable to mitigate an overspend, this must be reported to the P&R Committee who will take an organisational view of how this adverse variance will be managed. There must be immediate action agreed to ensure a forecast balanced budget can be reported, and this will be monitored on a monthly basis by the P&R Committee.

- Whilst each committee is required to remain within its annual budget envelope, there may be reasons for committees to report a favourable variance in-year. Committees wishing to use any forecast underspend must have approval from the P&R Committee to do this in line with the MHCLG external assurance review.

- The council must not be in a situation where one committee is forecasting an overspend and is unable to mitigate it and another committee is forecasting an underspend and utilises this for unplanned growth purposes. The P&R Committee will be responsible for ensuring that operating in silos does not occur and that resources are aligned to Council objectives at all times

- The P&R Committee has overall responsibility for taking any necessary steps required to ensure a whole Council budget can report a balanced budget throughout the year. The Section 151 Officer will be responsible for ensuring that any budget actions, proposals and mitigations are achievable and legal.

The Policy and Resources Committee were presented with a Budget Monitoring Reports quarterly throughout 21/22. The reports included an update on the budget saving achievement progress for each of the Committees. This reporting has demonstrated that the new budget monitoring arrangements have been appropriately implemented and that, broadly, the Council have delivered against agreed savings.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

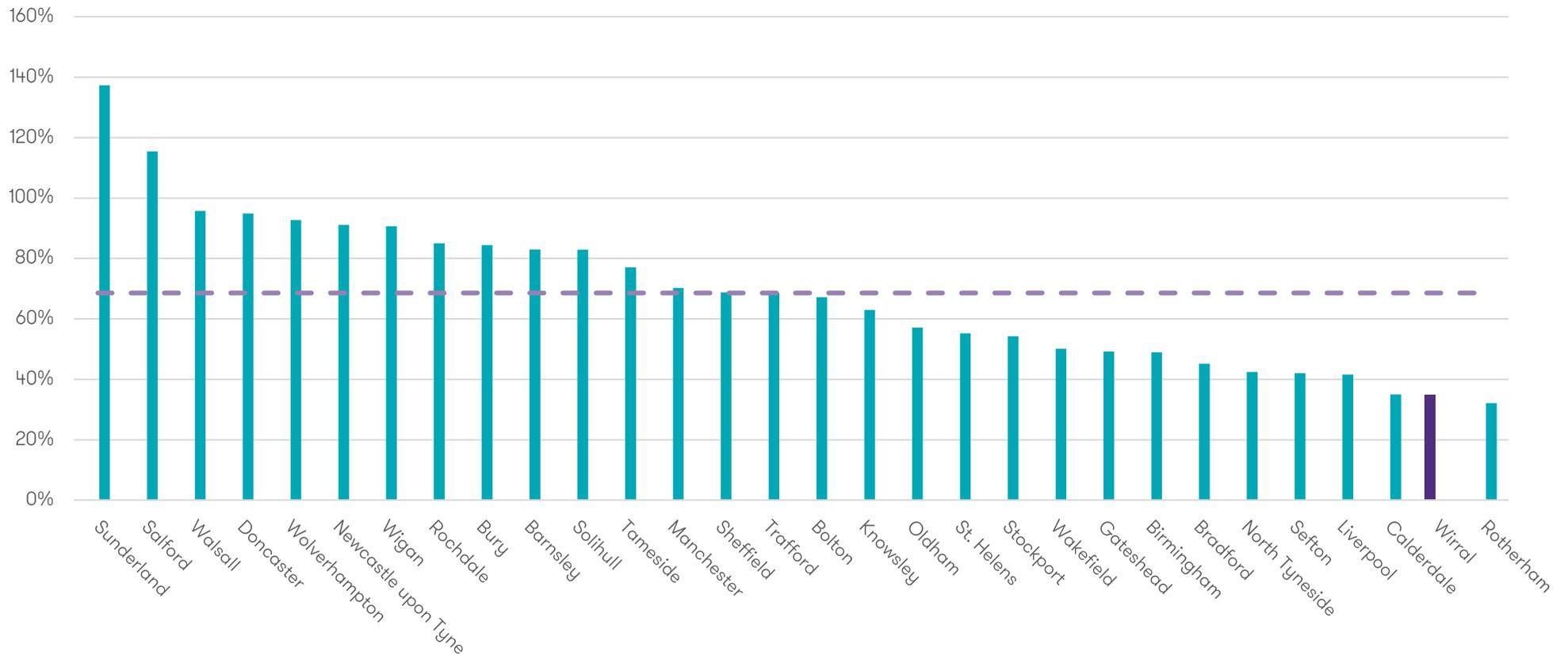
The Wirral Plan is where corporate strategic priorities are set out. This is referenced in the MTFS reported to P&R Committee in December 2021. The MTFS sets out the aim to provide a framework to invest broader ambitions and long-term priorities such as the Borough Plan and the recovery from COVID-19. As such there is a clear link between corporate planning and financial planning.

No plans are dependent on the removal of services but the current budget proposals for 2022/23 do lay the groundwork for the Council to provide fewer services in future years. The CIPFA report identified that the MTFS for 2021/22 - 2025-26 is not explicit about the scale of the financial challenge or the tough choices that the Council will need to make to deliver it and the Council has now reacted to the findings by proposing a number of savings initiatives which do include closures of a number of leisure centres and libraries. These changes are still to be formally ratified as part of the 2023/24 budget.

The Capital Strategy sets out the Council's medium to long term ambition and describes the strategic plan for economic growth, digitalisation and the use of assets and how these will support the Council to achieve its objectives. There has been significant investment in regeneration to support economic growth within the Borough and the strategic acquisitions programme has enabled the Council to acquire key sites in the Borough to support the longer-term ambition for economic growth and housing. The Capital Strategy is not a stand-alone strategy. It links in with a number of the Council's Strategies which together strive to achieve the Council's long term strategic ambition, these being the Strategic Asset Management Plan, the Economic Growth Strategy, The Treasury Management Strategy, The Commercial Strategy and the MTFS. The CIPFA Local government finance review, however, identified that there is scope to reduce the asset base and members have delayed the disposal of key assets. There was no evidence of a clear co-ordination between the assets team responsible for the estate and the service directorates undertaking savings reviews. Without a coordinated asset management strategy that includes disposal plans, the existing portfolio risks being a drain on the Council's resources. Plans to rationalise the Council's estate are being considered and an Asset Strategy was approved by Policy and Resources Committee in November 2022 and a Community Asset Transfer Policy was agreed in January 2022 to assist this process.

General fund and non-schools earmarked reserves as a % of net service revenue expenditure 2021/22

General fund and non-schools earmarked general fund reserves as a percentage of net service revenue expenditure (%)



Financial sustainability

The capital budget for 2022/23 is £113m with an additional £54m forecast for 2023/24. The vast majority of this expenditure (£66m and £45m respectively) is being spent on Regeneration and Place. This is a significant level of expenditure, and we note that nearly £80m of borrowing is needed to support this expenditure. Looking at a longer period from 2022/23 to 2026/27 the Council anticipates capital spending £276m. Borrowing to support this will be £147m.

The Council needs to ensure that it understands the revenue consequences (both MRP and interest) in setting this capital budget. This presents a significant financial pressure on its already stretched revenue resources. This has been partially addressed in new MTFS but there has been no reduction in the Capital Programme to address future costs. Investment and Change Board receive regular updates on the Capital Programme, inclusive of draft bid proposals which address affordability.

Our knowledge of the Council supported by evidence gained during the CIPFA local government finance review highlighted a number of deficiencies which has impacted on the Council's ability to deliver their financial plans. The ICT infrastructure has not been able to produce timely financial information which impacts on the timeliness of decision making, this has been recognised and challenged by members of the A&RMC specifically in relation to the procurement reports. The Council is in the process of implementing a new ERP system in April 2023 and has live Power BI reporting facilities for more accurate and timely financial information. Whilst those senior officers within the finance team are highly skilled public sector finance accountants, the overall finance team is stretched for the size and complexity of the Council and its finances. This is notable during the audit of the financial statements, with the team often struggling to respond to audit queries quickly due to their workloads. In 2020/21 the finance team lacked the expertise in the increasingly complex areas of accounting which can lead to budget holders making decisions without knowing the full implications on the Council's financial standing (for example financial guarantees for regeneration projects). This has been addressed by the establishment of a Director of Finance post. Historically there has been a lack of financial challenge and scrutiny from Members and the CIPFA report stated that "As a member-led organisation, Members need to take more responsibility for managing the budget process at the outset". **(Improvement recommendation 2)**

Some variance is inevitable as some services are demand led and is difficult to predict. However, in emerging from the pandemic, a return to the norms of budgetary monitoring and financial discipline are required to ensure financial success. It will be equally critical to ensure that budget holders, and the Council as a whole, on signing up to future budgets, are held to account for any future failure to deliver the budgets agreed to. The Council will also need to be cognisant, early on, of pressures to budgets, with effective early warning systems to identify risks and ensure corrective action is taken. It is equally critical there are effective monitoring and assessment arrangements in place to understand whether future budgetary overspends are the result of unavoidable / unforeseeable cost pressures, or deficiencies in budgetary and financial discipline within directorates.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system.

We found a financial planning process which ties in with corporate objectives. There is evidence of staff working collaboratively across the Council as opposed to silo working. Service provision is aligned to the funding envelope. Council takes a prudent approach to budgeting. Services have collaborated and appear to understand the wider position of the Council as a whole, and not just their own departments. The budget is aligned to wider plans, namely the corporate objectives but also a set of core planning assumptions which set out likely changes to the environment. These considerations are the starting point of the budget development process.

Services have collaborated and appear to understand the wider position of the Borough as a whole, and not just their own departments. The recent restructure of services during 2020/21 to bring more services within the Neighbourhoods Directorate is an example of services working together to bring about efficiencies and prevent duplication across Council functions.

While the high-level People Strategy aligns with the overall Wirral Plan, given the change that has been not only brought about by Covid but the transformational change the council is undergoing, this strategy should now be reviewed. **(Improvement recommendation 3)**

Financial sustainability

As a sector, local government is facing a recruitment and retention challenge. The need for future workforce planning to ensure the Council has the appropriate staff, with the right skills, at the right time to deliver sustainable council services is clear. Grant Thornton will monitor this process to ensure the workforce plan is delivered.

The Council made the decision to take a "payment holiday" with regards to its Minimal Revenue Provision (MRP) on historical debt. Practically this meant re-profiling the MRP over a 10-year period and reducing the annual payments by £2.4m per year to offset historical overpayments of MRP. This would not be permitted under the current statutory guidance which came into force after this decision had been made. The significant regeneration plans and projects means that borrowing will be increase by c£90.1m up to 2025-26. Most of this (£81m) is over the next two years as part of the Council's regeneration agenda. The net revenue impact of existing debts has been accommodated within the Council's budget for 2021/22 and its existing MTFS. However, 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. The existing programme does not provide sufficient resources for the maintenance and repair of Council assets, which could create further pressure on borrowing. **(Improvement recommendation 4)**

There is no evidence of major capital investment being postponed or cancelled without a sound rationale. The Council did decide to cease its involvement in a Community Bank given its current financial position and lessening its exposure to additional financial risk. This was seen as a positive move in the right direction by focusing on the Council's finances and rebuilding its reserves.

How the body identifies and manages risks to financial resilience, e.g., unplanned changes in demand, including challenge of the assumptions underlying its plans.

2021/22 has continued the challenges for financial management of dealing with a pandemic from 2020/21 including the changing ongoing profile of demands on services.

Within the corporate risk register, the Council has identified financial resilience as a risk. It is noted that the latest Corporate Risk Register indicated the current risk score is "red". Budget reports are monitored on a regular basis and finance reports are subject to member scrutiny and challenge. A list of key risks is included in MTFS papers sent to members when setting the Council's budget.

The CIPFA local government finance review identified three key risks with the Council's 2021/22 budget:

- 1) It is highly likely that the Council will not achieve all the savings it has budgeted.
- 2) It is possible that there might be an overspend in the directorates, largely due to additional lost income.
- 3) there is uncertainty around the extent to which the pandemic has suppressed demand for Children's and Adults services.

Current projections do not set out clearly the impact of relaxing/changing key assumptions and how this may impact on the potential financial position.

There is a lack of any sensitivity analysis which makes it difficult to understand the level of risk if key assumptions prove to be too optimistic.

The Council approved its 2022/23 budget in February 2022. The budget is dependent on the financial position of the Council remaining stable throughout the year, with the unknown longer-term impact of Covid 19 and any changes to the economy presenting risks to this position. The budget does not rely on the use of a capitalisation directive. The budget requirement for 2022/23 is £330.13m with forecast savings income and efficiencies of £18.29m. It is crucial that the Council secures the delivery of these savings if it is to retain a stable financial position. Budget updates to committee since this time have indicated that the majority of savings (£17m) remain on track for delivery. These includes savings of £3.89m by mitigating Adult Care demand and a capitalisation of £1.42m of regeneration salaries which will be subject to audit. Positively we note that there is no significant planned use of reserves to balance the budget. The planned budget of surplus of £0.44m is expected to be transferred to the General Fund in order to begin restoring the Council's financial resilience. At present the reserves are too low to protect against unforeseen spending pressures or manage the risk of under-delivery of savings.

Financial sustainability

They are also at a lower level than most similar unitary councils. There are plans to build up reserves over the medium term so no recommendation is raised at this time.

As the Council emerges from the pandemic, and the 'new normal' begins to be established – crucially, a normal which once again comes with financial constraints – the organisation should assess what covid working patterns and arrangements should continue in the post pandemic world. Our work indicates the Council will face significant financial challenges in future years and we will monitor this response in those years.

We found a significant weakness in your arrangements in 2021/22 to secure financial sustainability covering the need to use capitalisation funding to balance the revenue budget, the failure to deliver planned savings, an inadequate level of General Fund reserves, lack of ownership at Committee level and inadequate financial reporting.

We note the Council has continued to develop these areas during 2022/23 and 2023/24.



Improvement recommendations



Financial sustainability

Recommendation 2

The Council should consider if the size and skills mix of the finance team in relation to supporting the key programmes being undertaken .

Why/impact

Failure to provide an adequately resourced and skilled finance team may lead to inadequate financial support which may lead to inappropriate decision making.

Auditor judgement

The current finance team is not equipped to provide the support necessary for a complex organisation.

Summary findings

Whilst senior officers within the finance team are highly skilled public sector finance accountants, the overall finance team is stretched for the size and complexity of the Council and its finances. This is notable during the audit of the financial statements, with the team often struggling to respond to audit queries quickly due to their workloads. The existing team also lack the expertise in the increasingly complex areas of accounting which can lead to budget holders making decisions without knowing the full implications on the Council's financial standing (for example financial guarantees for regeneration projects). Historically there has been a lack of financial challenge and scrutiny from Members and the CIPFA report stated that "As a member-led organisation, Members need to take more responsibility for managing the budget process at the outset". We do note the appointment of a Director of Finance to provide extra capacity

Management Comments

The finance function has recently undertaken a restructure process to increase the capacity and strength of the team, including the introduction of three Heads of Finance along with more junior positions across corporate functions and service supporting accounting teams.



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

Improvement recommendations



Financial sustainability

Recommendation 3

The Council should consider updating its People Strategy

Why/impact

The evident labour shortages means there is an enhanced need to have a workforce strategy planning for future requirements.

Auditor judgement

A revised People Strategy would be desirable to ensure that the council have a fit for purpose workforce going forward.

Summary findings

The high-level People Strategy aligns with the overall Wirral Plan, Given the change that has been not only brought about by Covid but the transformational change the council is undergoing it may be time to review this strategy.
As a sector, local government is facing a recruitment and retention challenge. The need for future workforce planning to ensure the Council has the appropriate staff, with the right skills, at the right time to deliver sustainable council services is clear. We will monitor this process to ensure the workforce plan is delivered.

Management Comments

The Council launched its revised People Strategy in March 2023. In addition, a new Talent Strategy was published in September 2023. Both strategies were produced following engagement with the workforce and were signed off by the Senior Leadership Team.



Improvement recommendations



Financial sustainability

Recommendation 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.

Why/impact The revenue implications of capital spend may put unnecessary pressure on the council financial sustainability

Auditor judgement The existing programme does not provide sufficient resources for the maintenance and repair of Council assets, which could create further pressure on borrowing.

Summary findings The Council made the decision to take a "payment holiday" with regards to its Minimal Revenue Provision (MRP) on historical debt. Practically this meant re-profiling the MRP over a 10-year period and reducing the annual payments by £2.4m per year to offset historical overpayments of MRP. This would not be permitted under the current statutory guidance which came into force after this decision had been made. The significant regeneration plans and projects means that borrowing will be increase by c£90.1m up to 2025-26. Most of this (£81m) is over the next two years as part of the Council's regeneration agenda. The Capital Programme for later years does not fully represent all the Council's capital spending pressures. The net revenue impact of existing debts has been accommodated within the Council's budget for 2021/22 and its existing MTFS.

Management Comments

All proposed borrowing is scrutinised and challenged as part of the decision-making processes in place. A review of the borrowing policy is taking place with consideration being given to identify more cost-effective borrowing arrangements following advice from external advisors. Maximising access to external funding that can in turn minimise borrowing requirements remains a key consideration for the Council with evidence of this demonstrated through Capital programme monitoring – "Wherever possible the Council will continue to seek grant funding to either replace a known borrowing requirement or to enable Capital schemes to take place or be continued. In the event of any notable grant awards being achieved in the future, the relevant schemes will be introduced into the capital programme via the regular monitoring reports".



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. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Governance is the system by which an organisation is controlled and operates and is the mechanism by which it and its staff are held to account. It works from Council meetings to the front line. Ethics, risk management, compliance, internal control and best practice are all elements of governance. Effective governance requires both clear and unambiguous structures and processes and effective working of people within these frameworks. Effective governance also requires an open culture that promotes transparency, a willingness to learn and improve and no fear to speak the truth. Robust risk management, along with good governance and strong financial management form cornerstones of effective internal control.

The Council has a risk management strategy in place (dated 2017) and operates a hierarchy of risk registers throughout the organisation. The hierarchy includes the Corporate Risk Register which covers strategic risks with potential to impact on achievement of council priorities, Directorate risk register are for strategic and large-scale operational risks with potential to affect service delivery and service/team risks register which covers operational risks with potential to affect service delivery. The Strategic Leadership Team (SLT) undertook a detailed reassessment of the Corporate Risk Register on 2nd March 2022. This included a review of the existing Corporate Risks and consideration of new risks. The in-depth discussion and reflection highlighted several risks that require a change in emphasis and focus alongside the development of several new risks. One of the major changes to the Corporate Risk Register was the inclusion of a positive risk or opportunity for the first time.

The aim was to identify the beneficial outcomes of a vision, areas where it is possible to be innovative rather than reactive and demonstrate the consideration of the long-term benefits. This expansion in the scope of the Corporate Risk Register is in acknowledgment that not all risks easily align with the Wirral Plan 2021-26 themes and priorities.

The Council acknowledges the importance of risk assessment arrangement and set up a subgroup to the Audit and Risk Management Committee (A&RMC) with sessions scheduled around the time of every committee meeting. The sessions allow for more detailed discussion and evaluation of the risk management arrangements and developments including the corporate risk. Every meeting of the A&RMC received an update on risk.

Each reported risk is RAG rated and a senior officer allocated. The Council also recently mapped risks to the corporate objectives and also to the associated Wirral Plan (2021-2026). It is also important to note that the risk register shows the existing mitigating/controls as well as the planned actions.

The Strategic Risk Register contains 20 which we feel is at the upper level of what would be appropriate to allow for all risks to be provided with appropriate focus. The risk register contains 16 “red” risks. These red risks relate to financial, digital, people and operational risks. The risk register format is clear showing current risk score, target score, direction of travel, lead director, management actions, current mitigations and links to corporate priorities it does not show risk factors, potential consequences and sources of assurance.

Governance

The Council could strengthen its risk management framework further by developing a full training programme for all levels of staff, providing greater clarity of the relationship between all the risk registers used across the Council, including strategic, operational, project and partnership risk. These should align to ensure that there is a clear golden thread of risks that runs up and down the organisation. An improvement recommendation has been made in this area (**Improvement recommendation 6**)

There is an effective internal audit function in place. The Internal Audit is provided by an in-house team. From review of reports and Audit and Risk Management Committee papers, there looks to be an adequate and effective internal audit that challenges management and provided appropriate recommendations for improvement. The Audit and Risk Management Committee receives regular updates on progress and key findings. Internal Audit issued two “Major Risk” reports and 12 “Moderate Risk” reports in 2021/22. The major risk reports related to Covid Impact on the Collection Fund and a Data centre review, all recommendations were accepted by management and follow up work will be undertaken to ensure they are implemented.

A peer review was undertaken against the Public Sector Internal Audit Standards (PSIAS) in 2021. This is required every five years as per the PSIAS.

The Head of Internal Audit Opinion, reported in July 2022 concludes that

“It is important to acknowledge that external reports received by the Council during the reporting period identify a number of areas for improvement across the Council’s governance arrangements and for which improvement plans have been put in place and many actions implemented to improve systems in year.

Having taken account of this and the impact on the control environment as well as the outcomes from the programme of audit work, including my ongoing engagement with senior management, it is my opinion that, the Council generally maintains adequate and effective control and governance processes overall. This opinion is based on audit work performed during 2021-22 and from cumulative knowledge of the organisation.”

Counter fraud services are also provided by Internal Audit. While internal audit work is reported to Audit and Risk Management Committee, no such parallel reports is submitted around the work of the counter fraud team. We would suggest their work is collated into an Annual Fraud Report which goes to Audit and Risk Management Committee.

Counter fraud operations are underpinned by Member and Staff codes of conduct (dated 2021 and 2005 respectively). The Council has an Anti-Fraud and Corruption Policy last updated in 2022. This is supported by the Anti Bribery Policy, the Anti Money Laundering Policy and The Whistleblowing Policy.

The annual work plans for internal audit are currently approved and overseen by the Audit and Risk Management Committee. From our attendance at this Committee, we consider it to robustly review the work of internal audit, providing appropriate challenge.

How the body approaches and carries out its annual budget setting process

The Local Government financial landscape has made this a second distinctive year for financial planning. The Council has an appropriate process for financial planning and assumptions made appear reasonable. While future funding is unclear, a medium-term financial plan has been produced based on prudent assumptions about future income streams. Our previous knowledge of the Council informs us that arrangements are in place with the Council to model the uncertainties in the system notwithstanding the factors that are outside the Council’s control. We understand that the model medium term financial strategy is a living document, constantly updated following discussions across the council.

As the funding settlement has only been on an annual basis in recent years, one of the key risks is that the downward trend in funding is continued. This is a key aspect in the budget commentary. From our observations of the 2022/23 budget setting process, we are satisfied that during the budget setting process that the budget is subject to sufficient challenge prior to submission for approval.

For 2021/22 the Council published a range of proposals as part of the budget consultation process prior to the final approval of the budget for the year and revised MTFP.

The financial proposals for 2022/23 were prepared 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 Panel convened to advise on the Council’s financial recovery plan.

Governance

The budget proposals were produced with the engagement of Policy & Resources Committee and other Service Committees, and the associate were subject to a number of consultations which included a budget survey questionnaire, virtual public events and an online portal. Further to these consultations the Council introduced a series of budget scrutiny workshops for members of the Overview and Scrutiny Committees in order to consider the budget proposals for 2022/23.

Initial consultation, to ask for the views of residents, businesses, and all those with a stake in the future of Wirral, about what council services and priorities matter to them most to help develop the 2022-23 budget took place in 2021. This process ran from 2 to 28 November 2021. The full report of the outcome to the consultation was provided to Policy & Resources Committee 17 January 2022. Statutory budget consultation took place in January 2022 and Policy and Services Committees reviewed and debated the draft 2022/23 budget publicly during January 2022. The third round of consultations are specific to budget proposals where there is a legal duty to consult – and are focussed on how the budget proposals would be implemented..

Financial planning forms part of the regular dialogue between the Director of Resources, other members of SLT, finance team and budget holders (Heads of Directorates). However, as there is no mandated training for Members on local government finance and with the electoral cycle bringing new members on to Committees, there is an increased risk of low levels of financial literacy amongst Members. This omission of training was picked up in the CIPFA report and action has now been taken during 2022/23 for appropriate training to be provided to members

This was highlighted in the CIPFA report which recommended that annual finance training should be provided for members. As a result of limited financial data being provided for Members to consider budgets and savings proposals, there is a risk of savings proposals not only being rejected but not being founded on robust business cases. **(Improvement recommendation 7)**

Investments and Borrowings are included within the financial plan, but the effects are minimal given the current rates of return on investments.

How the body ensures effective processes and systems are in place to ensure budgetary control.

The budget is reviewed quarterly by Policy & Resources Committee. The accompanying reports and information supporting the budget identify issues as they arise which will impact the expected outturn. The outturn report also identifies reasons for variances. We were informed Monthly Operational Performance Board Meetings include financial performance reviews in addition to the directorate management teams for each Directorate, finance is incorporated as part of their regular monthly performance monitoring. Through 2021/22 most departments were reporting favourable variances and where adverse variances were reported these remain largely due to the longer-term effects of covid reducing opportunities to generate income.

Review of Committee papers indicates close monitoring of budgets and full disclosure of variances and comprehensive explanations. No evidence of weakness in budgetary controls processes have been identified. The quarterly budget monitoring reports detail variances by department (and service lines within departments) demonstrating a regular identification of in-year variances. Actions being taken or to be taken by departments, where relevant, in response to such variances are set out. All budget variances are accompanied by detailed explanations.

During 2021/22 the finance team was headed up by the Director of Resources and s151 officer. The S151 Officer sits on the Senior Leadership Team. The CIPFA report stated that “We also consider that the scale of the financial challenge faced by the Council means that the Section 151 Officer needs to have sufficient capacity to focus on delivering a balanced budget and ensuring that action is taken to address it”. The report goes on to recommend that the Council “Re-assign the non-financial responsibilities of the Section 151 Officer to enable the individual to focus on financial resilience.” Subsequent to this the Director of Resources role was split during 2022/23 with the Director of Resources remaining with a remit to oversee human resources, strategic change and digital and a newly created post of Director of Finance (and s151 officer) being established with management responsibility for finance, internal audit, procurement and revenues and benefits. Both officers sit on Senior Leadership team.

Governance

The Director of Resources and the new Director of Finance are supported by a number of suitably qualified and experienced team members. The finance team is skilled in local government finances, however, there is a lack of 'in-house' capacity to deal with the increasingly complex accounting areas of the regeneration projects the Council is becoming involved in. The Council has gained support from external organisations on the financial reporting implications of regeneration projects entered into. This has been gained subsequent to entering into the arrangements. It would be better if business cases for regeneration projects included a consideration of the financial reporting implications before the project is approved.

The external assurance reviews both identified that financial performance was not a key objective for senior managers and that an enhanced performance management process was required to enable a focus on the delivery of savings. For Neighbourhood Services, however, there is evidence that the Director is championing the support for corporate improvement around performance management in the directorate. Since the external reports, improvements have been made in financial management and performance reporting and we now feel that this is a focus for management and members but greater improvement is still required. **(Improvement recommendation 2)**

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

Where committees are required to approve a decision, the accompanying information is suitably detailed. There is evidence of challenge - officers prepare reports and then step back while Members debate and decide how they want to proceed. It was noted that during the 2021/22 budget setting process, Members rejected £2m of Officer proposals in favour of alternatives which might not have had the same level of investigation and review that the original proposals had. Such late interventions are considered inappropriate and all budget matters should be subjected to the full scrutiny of budget setting process and not just be inserted at the eleventh hour. There is no evidence of similar events during the 2022/23 budget setting process and therefore no improvement recommendation has been made.

There is appropriate tone from the top in respect of decision making. The Governance Review identified that there was good engagement from all Directors in the SLT meetings and that the Chief Executive is regarded as accessible and open. The SLT was described as being cohesive.

The political control of the Council is currently 26 Labour, 24 Conservative, 9 Green, 6 Liberal Democrats and 1 Independent Member. Up until 2022 one third of the Council has been elected each year for three out of four years. From May 2023, it is planned that full council elections will only be held every four years. This will help ensure stability and will enable members to make decisions for the medium term rather than a short term focus on the next election.

We note there is a more transactional form of relationship between Members and Officers. The impact of this type of relationship previously demonstrated a lack of confidence in what Officers were proposing, a desire to reinforce political strength or a lack of understanding of the scale of financial problem and the decisions that are required. A recent peer review while indicating this issue persists noted that officer and member relations were improving. Leading Members do not demonstrate a common view of how the Council is to achieve financial sustainability and resilience. The peer challenge noted that there was not a united front when passing the 2022/23 budget. There is also prevailing use of call-in powers which provides opportunity for Members to engage in point scoring at the expense of their responsibility to the people of Wirral. A recent example of this is the decision to reverse car parking charges. There is a need to implement the recommendations of the peer challenge progress to seize opportunities to improve officer/member relation and political consensus.

All Committee reports outline the financial and legal implications of decisions The revenue budget is subject to ongoing scrutiny and detailed reports are provided to Policy and Resources Committee and Council prior to approval.

The Audit and Risk Management Committee (A&RMC) consists of ten members – made up of eight councillors and two independent person. There has been some turnover in membership of the A&RMC during 2021/22 which has continued into the next year with the Chair being replaced on the Committee from June 2022 following a governance review and recommendations being made that Members should not Chair the A&RMC and sit on the Policy & Resources Committee to avoid self-review and scrutiny of member decisions. The current Chair was an existing member of the A&RMC In 2021/22, the A&RMC had five meetings and the Terms of Reference are set out in the Council's Constitution and are all in line with expectations for a Local Authority. There were several new members the A&RMC during 2021/22 not just the chair. We see this as a positive change though, as these Members have more depth in financial experience than former members of the Committee.

Governance

There has been good attendance at the A&RMC over the year. Whilst the Members do challenge Officers, there is often focus on the more insignificant issues arising from the reports presented and not the material issues. The appointment of independent members has strengthened the membership of the Committee.

In 2020/21 we raised a significant weakness in relation to the arrangements when entering into complex new regeneration transactions and the need to obtain financial reporting advice prior to entering into the arrangement. The Council has now obtained financial reporting advice which will be audited during the 2022/23 audit. No new instances of complex commercial regeneration transactions have been identified.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Various internal and external mechanisms are used to ensure the Council meets the necessary standards and legislative requirements.

Our work has not identified any non-compliance with the Constitution, statutory requirements or expected standards of behaviour. Officers confirmed that there were no data breaches that were significant enough to report to the Officer of the Information Commissioner.

Officer and Member codes of conduct are in place and Members interests are published on the Council website. There is an opportunity for Members to declare interests at every meeting as a set agenda item. Related party transactions are required to be declared as part of year end closure of accounts and sent to all Members and Senior officers for their completion. A register of officer interests is maintained by Human Resources and a declaration of interest procedure is in place. We found no evidence of adverse outcomes of interests, gifts or hospitality not being declared.

We found no evidence or indication of significant risks to your governance arrangements as such no further risk-based work has been undertaken in this area



Improvement recommendations



Governance

Recommendation 5

Consideration should be given to the following improvements to the risk management process as processes become embedded.

- 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.

Why/impact

Further development of risk management techniques will help embed management of risk in the organisation leading to better decision making

Auditor judgement

Significant steps have been made to improve and embed risk management process within Wirral Council since our 2020/21 report. Further enhancement could now be made to help ensure best practice is followed.

Summary findings

The Council has a risk management strategy in place (dated 2017) and operates a hierarchy of risk registers throughout the organisation. The Strategic Risk Register contains 22 risks at June 2022 which we feel is at the upper level of what would be appropriate to allow for all risks to be provided with appropriate focus. The risk register format is clear showing current risk score, target score, direction of travel, lead director, management actions, current mitigations and links to corporate priorities it does not show risk factors, potential consequences and sources of assurance.

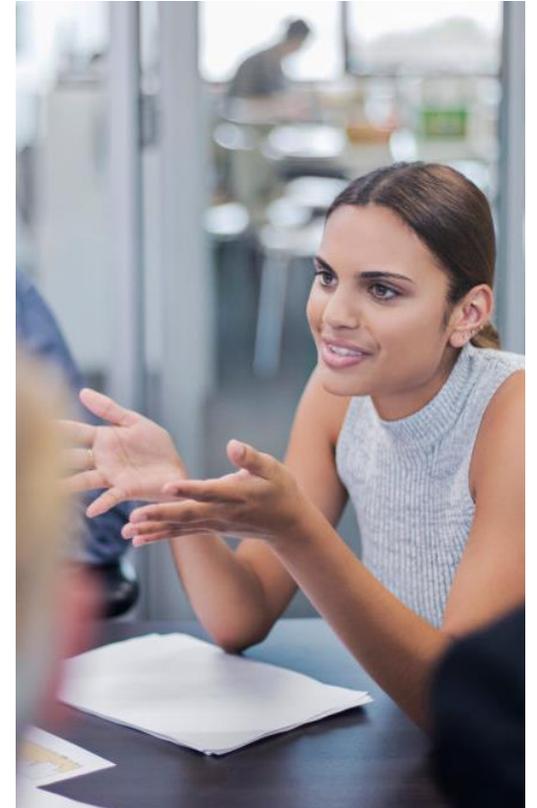
The Council could strengthen its risk management framework further by developing a full training programme for all levels of staff, providing greater clarity of the relationship between all the risk registers used across the Council, including strategic, operational, project and partnership risk.

Management Comments

The Corporate Risk Register underwent a review led by the Chief Executive and the new Directors of Finance and Law & Governance between January – March 2023, with a rationalisation of the number of risks, this now sits at 10 risks.

The hierarchy of risk has been included in the guidance and targeted training to officers and members including at A&RMC in January and June 2022, and again in June 2023 following the changes in committee membership.

The Risk Management Strategy is under review with training programme for staff and new Members to support its roll out. The review includes feedback from members following the changes post elections in May 2023 and change in member of Audit & Risk Management Committee. A risk management training session for all members was undertaken in January 2022 by a CIPFA accredited trainer. The session was recorded and retained on the Member Learning Portal.



Improvement recommendations



Governance

Recommendation 6

Noted improvements in member financial awareness during 2022/23 should be further enhanced by :

- 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.

Why/impact

Failure to provide comprehensive financial data and training to members will inhibit understand and increase the risk of poor decision making

Auditor judgement

Improvements made since 2021/22 have improved members ability to understand the Council's financial position and should be embedded

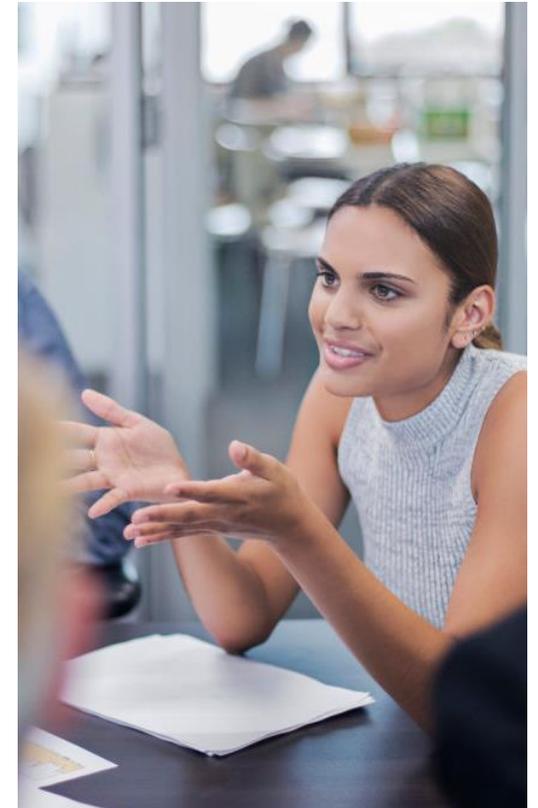
Summary findings

We found no mandated training for Members on local government finance in 2021/22 and with the old electoral cycle bringing new members on to Committees annually, there was an increased risk of low levels of financial literacy amongst Members. This was highlighted in the CIPFA report which recommended that annual finance training should be provided for members. As a result, Members have been trained on budgets and budget setting in 2022. It is expected this training will be undertaken annually going forward.

Furthermore, as a result of limited financial data being provided for Members to consider budgets and savings proposals, there was a risk of savings proposals not only being rejected but not being founded on robust business cases and an understanding of the underlying position. Improved Power BI reports have been provided during 2022/23 and the implementation of a new ERP system at 1/4/24 should further enhance the Council's ability to provide comprehensive and timely financial information.

Management Comments

Financial awareness training for members was undertaken in June 2023 (similar to what was delivered in 2022), following the all-out elections in May 2023. Additional financial training programmes, including those linked with the new ERP system (Oracle Fusion), have been and continue to be developed in conjunction with our Organisation Development function. The implementation of Oracle Fusion required a large proportion of the organisation to undertake training prior to and immediately after the start of the 2023/24 financial year and further engagement on budgets and systems report capabilities is commencing November 2023.



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.

How financial and performance information has been used to assess performance to identify areas for improvement

This year has been another challenging one for public services as a whole and Wirral Council was no different. Local Government continues to face more challenges as it moves from the Covid response stage to the task of supporting long-term economic and social recovery along with the cost-of-living crisis and significant levels of inflation with the associated cost pressures.

The Council's key performance document is the Wirral Plan 2021-26 which is the strategic high-level plan setting out the key priorities. Progress is reported to Policy & Resources Committee (P&R) on a quarterly basis. The Intelligence Team developed the Data Quality and Performance Management Framework for the plan and provide the data for the update reports. The Corporate Office then prepares update reports. There have been member workshops to understand member requirements. Reports are prepared for specific service committees e.g. Adults and Leisure and Environment

There is an Operational Performance Group consisting of an Assistant Director from each area on the group which is chaired by the Director of Neighbourhood Services. A monthly operational pack presented at each meeting which is used by Directorates to consider issues in their area. The Intelligence Team support this group by reviewing the data and collating the pack. Following discussion of the pack there will be key actions on specific issues.

Once reviewed by Operational Review Group the performance pack then goes to Senior Leadership Team including the Chief Executive. Departmental Management Teams also have a Power BI Directorate Insight packs which include a range of information e.g. finance, HR, H&S, Audit, FoI, Risk, and business plans.

The Chief Executive has quarterly informal one-to-one meetings with Directors to review a specific Directorate Insight pack which is prepared for each meeting.

The Council works with partners for example health partners with shared reporting linking in with the Cheshire and Merseyside Integrated Care Board (ICB). There is a Wirral Place Based Partnership Board for Health under the ICB .

Working across the Councils develops good data quality practices There are directorate-based systems each with their own data sources. The Council use Power BI to collate and present data and this identifies and data quality issues. The Intelligence Team work closely with systems teams 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 done via Power BI and expecting cleaner data once the new ERP system is in place.

Benchmarking is carried out via various performance networks and sector specific groups and there are various working groups across different Councils to share best practice and share best practice across Liverpool City Region. The Council is also involved in the Local Government Association (LGA) data maturity pilot which has developed an on-line tool to look at data quality.

Improving economy, efficiency and effectiveness

The Council subscribes to CFO Insights benchmarking tool so is able to benchmark costs against similar and neighbouring authorities. We benchmarked the Council's costs against other councils as part of this review. It indicated that the Council's cost per head of population was high in comparison to other Council's. in some areas. Areas of high or very high spend include housing services, cultural & related services and public health services, these are demonstrated in the graph on the next page. Given the Council's current financial position it does not appear sustainable to continue with such high levels of spend across all services. Actions are being taken to rationalise expenditure but these are only likely to come to fruition in 2023/24. **(Improvement recommendation 10)**

How the body evaluates the services it provides to assess performance and identify areas for improvement

We have seen no evidence of services failing to reach minimum standards, educational attainment continues at or about the national average. As with other councils there are cost pressures within Special Educational Needs and Disability (SEND). Added to which the increase in Looked After Children has meant cost pressures remain in this service.

The Adult Social Care directorate is one of the smallest in the country as the social work team was transferred to Wirral Community Healthcare Foundation Trust (the Trust) in 2017 and the Trust performs an all age social worker service. The Directorate works closely with the Trust focusing on commissioning rather than delivery. The main areas of focus for the directorate are Assisted technology, Extra Care Housing, and the Better Care Fund with the NHS. Expenditure per head of population is high in comparison to other social care departments and the Council continues to invest in the service to meet pressures such as the living wage costs.

Leisure services costs have been recognised as higher than neighbouring and similar authorities. Members have failed previously to make the tough decisions needed to make savings and close/cease service provision in past years. For example the Council has not closed under used leisure centres and selling off golf courses. One of the key principles of the recently agreed MFTS is to "Set spending levels for services not higher than the Metropolitan average to ensure we can demonstrate value for money for resident funding, unless there are exceptional circumstances". Recent external reviews and the work of the independent panel are finally drawing the Council to the conclusion that these long running issues need to be addressed. **(See improvement recommendation 8.)**

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.

The Council works closely with its neighbouring authorities within the Liverpool City Region (LCR) on a number of initiatives for example the Worklessness Support Service contract which is part of the Wirral Ways to Work Programme.

All six Local Authorities provide data and performance reports on a quarterly basis, which support the analysis of how effective the programme is. The Final report shows that across the region 96% of the target was achieved with 18,704 LCR residents being supported by the project. The positive economic impact of the project was also demonstrated as it generated a significant return on investment with a final social impact of £4.85 for every £1 spent on the project.

NHS Wirral CCG, Adult Care and Health and Public Health (Council led services) came together in May 2018 to form a single commissioning partnership - Wirral Health and Care Commissioning (WHCC). The purpose of WHCC is to jointly commission all age health and care service for residents in Wirral. The Budgets for public health and Adult Health and Care have been drawn up within the partnership and in order to deliver financial balance a range of savings programmes are also planned. The WHCC and delivery partners working together to deliver the required efficiencies. It should be noted that these arrangements were changed in July 2022 when the Cheshire and Merseyside Integrated Care Board came into existence taking over the responsibilities of the former CCGs and we will consider these revised arrangements in a future year.

Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

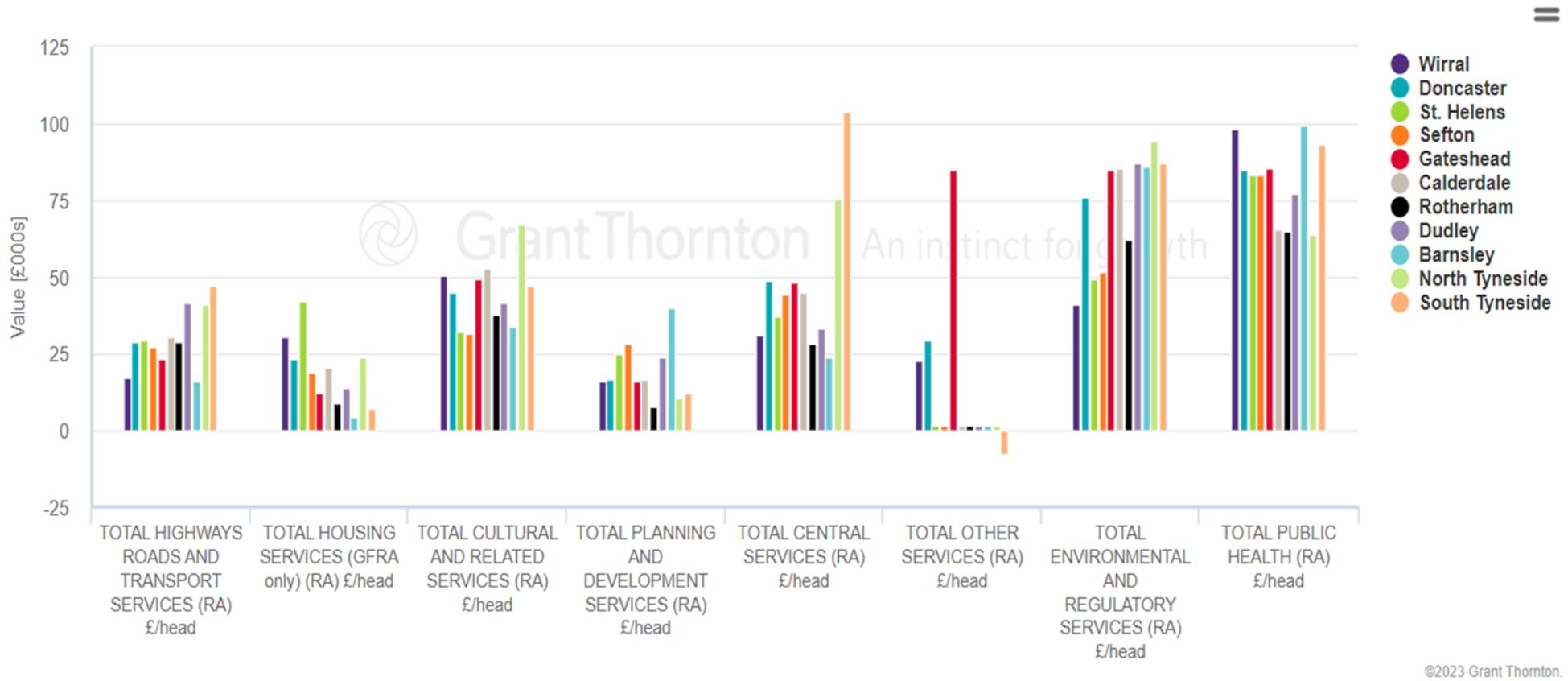
Procurement supports services across the organisation delivering front line and back-office services. The Council's existing procurement strategy dates back to 2011. This has been recognised as an area for improvement and the Council has continued to address arrangements in this area after the year end with the appointment of a new Interim Head of Procurement and consulting on an updated procurement strategy. **(See Improvement recommendation 9.)**

The most significant levels of spend the capital programs and the capital projects. The Council has a full spend map alongside the contract register. We understand the Council are beginning to start on the journey of proactive commercial risk identification and management. This is one of the roles which the new Head of Procurement has been recruited to progress along with establishing a single commissioning target operating model across the Council. Again we will commend on these revised arrangements in a future year.

The Council has a formal strategy for contract management backed by operational guides for both establishing and managing contracts. The documents provide a simple, plain English guide as to the roles and responsibilities of all involved in the commissioning cycle. Responsibility for both contract management and the procurement rests with the commissioners within each directorate, with consultative support and advice being provided from the central Procurement and Contract Management service.

Improving economy, efficiency and effectiveness

Unit Costs Analysis chart - showcasing budgeted spend within each service area, compared against similar authorities



Improving economy, efficiency and effectiveness

Capital budget monitoring is reported to through the committees for the directorates and the Policy & Resources Committee quarterly overall. The Council underspent its budget in 2020/21, re-profiling £57.4m from 2020/21 to 2021/22. During 2021/22 the Programme was regularly reviewed and monitored by P&R which resulted in schemes being deferred to 2022/23 along with the supporting funding. This resulted in reduced Treasury Management costs through a reduced need to borrow in 2021/22. Of an original programme of £83.84m, only £45.5m was delivered in year, leaving £38.29m to be reprofiled from 2021/22 to 2022/23. Areas of poor delivery included policy & resources (36% delivered) Tourism, Communities, Culture and Leisure (19%) and Adult services (14%). Given the Council's financial circumstances an ongoing review of the Capital Programme is under way in 2021/22 and 2022/23 to identify which schemes that can either be delayed, deferred or even withdrawn to reduce the ongoing financial commitments that result from the programme. Some schemes have encountered significant delays for operational reasons. This is not unusual during this period due to Covid. There is no evidence that projects are not well controlled or that there have been any major overspends.

During 2021/22 a project was launched to review Procurement and Commissioning functions. We understand this project is continuing and is making progress in changing the culture of the organisation regarding procurement and commissioning activity. As part of the project, a new model for Procurement and Commissioning is being recommended along with a refreshed Procurement Strategy. An Interim Head has been brought in to make the necessary changes. The number of nonpurchase orders, waivers and exceptions has significantly reduced and an update was due to be reported to A&RMC in October 2022 but this report and a refresh Procurement are yet to materialise.

Training is being rolled out to officers in quarter one of next year. This is to introduce the contract management code. The role of the procurement function will be to act as an advisory resource to support the both the procurement and the contract management responsibilities of the Commissioners. The training will be delivered by procurement introducing the requirements and benefits of the contract management code, the code being a single way of doing things. The contract management process will be tailored for each contract using the elements and tools provided by the code; simple service contracts requiring a completely different management model than a long-term capital development agreement.

The Council's Project Management Office lends project management support to overseeing the capital programme. There is a heavy reliance, on 3rd party consultancy support on these high value projects.

The Council has a legal duty to secure value for money in commissioning and procuring its requirements and to continually improve the quality in everything the public sees and expects from it. Central Government policy seeks to ensure that all commissioning and procurement activity should be based on obtaining value for money.

This is defined as considering the optimum combination of whole life cost and the quality necessary to meet the customer's requirements. In conjunction with relevant legislation and the Council's Constitution (particularly the Financial Regulations and Procurement and Contract Standing Orders). We found no evidence that appropriate procurement processes were not followed during 2021/22.

We found no evidence or indication of significant risks to your economy, effectiveness and efficiency arrangements as such no further risk-based work has been undertaken in this area



Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 7

The Council must implement its plans to rationalise leisure related expenditure.

Why/impact

Failure to address the challenges of high leisure expenditure may undermine the Council's plans to achieve financial stability.

Auditor judgement

Leisure spend is higher than comparable authorities and the Council provides a number of discretionary leisure services at a time of financial stress.

Summary findings

Leisure services costs have been recognised as higher than neighbouring and similar authorities. Members have failed previously to make the tough decisions to make savings and close/cease service provision in past years. For example, closing under used leisure centres and/or selling off golf courses. One of the key principles of the recently agreed MFTS is that "Set spending levels for services not higher than the Metropolitan average to ensure we can demonstrate value for money for resident funding, unless there are exceptional circumstances². Recent external reviews and the work of the independent panel are finally drawing the Council to the conclusion that these long running issues need to be addressed.

Management Comments

Savings plans are in place in 2023/24 in respect of leisure services; the delivery of the savings are being monitored as part of in-year budget monitoring activity.



Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 8

Senior Officer and Members should closely monitor procurement activity to ensure expected improvements are achieved on a sustainable basis. 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.

Why/impact

Failure to deliver improvements in procurement could undermine plans to improve financial strength.

Auditor judgement

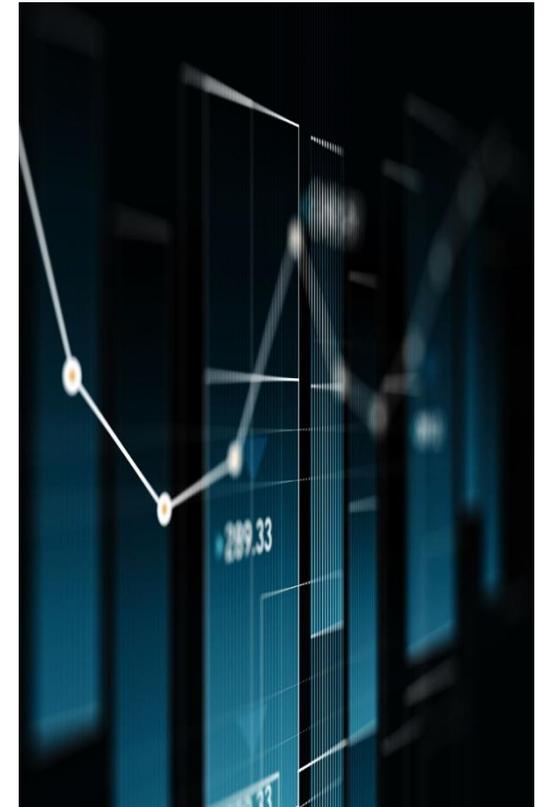
There is a need to maintain oversight of the function and ensure expected improvements are achieved.

Summary findings

During 2021/22 a project was launched to review Procurement and Commissioning functions. We understand this project is continuing and is making progress in changing the culture of the organisation regarding procurement and commissioning activity. As part of the project, a new model for Procurement and Commissioning is being recommended along with a refreshed Procurement Strategy. An Interim Head has been brought in to make the necessary changes. The number of nonpurchase orders, waivers and exceptions has significantly reduced and an update was due to be reported to A&RMC in October 2022 but this report and a refresh Procurement are yet to materialise.

Management Comments

A revised Procurement Strategy, linking in with the National Strategy, was provided to the Audit & Risk Management Committee in October 2023 along with a report on the control measures in place that ensure that instances of purchases without a purchase order remain low



Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 9

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

Why/impact

Failure to control costs will contribute to the ongoing deficit position.

Auditor judgement

Analysis of high cost areas is required to ensure delivery of value for money

Summary findings

We benchmarked the Council's costs against other councils as part of this review. It indicated that the Council's cost per head of population was high in comparison to other Council's in some areas. Areas of high or very high spend include housing services, cultural & related services and public health services. Given the Council's current financial position it does not appear sustainable to continue with such high levels of spend across all services. Actions are being taken to rationalise expenditure but these are only likely to come to fruition in 2023/24.

Management Comments

As part of financial monitoring and budget setting activity, finance challenge sessions have been undertaken by the Director of Finance to review Directorate financial positions, plans and savings opportunities. Included in these challenge sessions has been a review of relevant benchmarking information to highlight areas of concern and to provide focus where remedial action may be necessary.



Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
1	The Council should implement the recommendations outlined in the CIPFA Local Government Finance report. Specifically, the Council should take steps to address issues with the Medium Term Financial Strategy in order to make it more realistic and reflective of the financial challenges facing the Council and should ensure it has appropriate arrangements in place to deliver its savings plans	Key	July 2022	The Council is implementing the recommendations of the CIPFA Local Government Finance Report. These are being monitored by the Independent Assurance Panel and are reported through Policy and Resources Committee and Full Council. Which included the Chair of the Independent Assurance Panel's report to the DLUHC. The revised MTFs was taken and approved at the P&R Committee on 1/12/21	Partially	Yes – a further key recommendation has been raised
2	The Council should review its capital programme to ensure that the revenue implications of additional borrowing are affordable.	Key	July 2022	The MTFP 2022 to 2027 includes full cost implication of the 5 year capital programme. The MTFP is updated on a rolling annual basis and will continue to include the full revenue impact of the capital programme on an annual basis. Investment and Change Board continue to receive regular updates on the Capital Programme, inclusive of draft bid proposals which address affordability. The Capital Programme for later years does not fully represent all the Council's capital spending pressures.	Partially	Yes – a further improvement recommendation has been raised.
3	Risk and sensitivity analysis should be incorporated into financial forecasts	Improvement	July 2022	The 2021/22 and 2022/23 budget included sensitivity analysis on a pessimistic, mid ground and optimistic basis to provide Members with a full overview of the three different scenarios. A part of the 21/22 and 22/23 budget setting process, all savings and pressures were RAG rated for risk and this has also been in place for in year savings monitoring since 21/22. In 22/23 budget process included a further stage of challenge where business cases and budgets are split into three categories 1) High risk, essential statutory services delivering outcomes 2) medium risk statutory / non-statutory services delivering outcomes to meet non urgent needs to prevent high level need further down the line and 3) low risk statutory and non-statutory delivering non-essential outcomes 'nice to have' Further workshops have also been introduced to look at proposals in December each year with significant challenge internally and from independent panel.	Yes	No

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
4	Improvements are required to the quality and timeliness of financial data being used in the financial planning and monitoring process	Improvement	July 2022	For the 22/23 budget process, a new evidence based approach was used for business cases for savings and pressures. The content of which was internally assessed for viability, feasibility and deliverability. Where the business case lacked the relevant information, they were returned for further clarification and detail. The business cases were also externally assessed by CIPFA to provide additional robust analysis. The internal process was embedded into the budget setting process in 22/23 and the same process is being followed for 23/24. The 23/24 process commenced significantly earlier with draft proposals prepared by 6/5/22. A new Enterprise Resource Planning system is being implemented and PowerBI reports are available to management.	Partially	Yes – Complete implementation of new ERP system due for April 2023.
5	Governance arrangements for the oversight of the regeneration agenda and in issuing financial guarantees for leases and acquisition of assets should be significantly strengthened.	Key	July 2022	A new Regeneration Governance Board has been introduced that is chaired by the Chief Executive and includes the s151 Officer and the Monitoring Officer. No further financial guarantees for leases have been made since those reported in this report and there are, at present, no intentions to do so in the future. Where there may be the potential to enter into such transactions in the future, accounting advice will be received in advance and the outcome reported to Members as part of the decision making process before any transactions are entered into. The draft report from Arlingclose on guarantee arrangements has been received and a response is being prepared.	Yes	No
6	The Council should review its risk management arrangements to ensure that they are identifying the significant risks impacting the Council.	Improvement	July 2022	Following the issuing of the two DLUHC reports in 2021, the risk management arrangements have been reviewed and improved. There has been an all member risk workshop and the Corporate and Directorate Risk Registers have been fully reviewed and revised and reported through A&RMC. The Corporate risks are also shared with the P&R Finance Sub Committee	Yes	No

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
7	Key Performance Indicators should be linked to the Wirral Plan with performance monitoring reported to Policy and Resources Committee	Improvement	July 2022	A refreshed Wirral Plan was reported to Full Council on 11/7/22. The plan includes indicators to measure the success of the implantation of the Wirral Plan and included the outturn from 2021/22.	Yes	No
8	Regular and thorough service reviews should be carried out to ensure service provision meets the strategic priorities and are cost effective.	Improvement	July 2022	During 21/22 benchmarking data was used to determine where the Council provided high cost services and where they are, to build efficiencies from these into the forthcoming budget rounds. This was evidenced with the 22/23 budget whereby Leisure and Cultural Services, who did benchmark high had significant budget savings. The Strategic Change Programme, to be delivered through a range of Service Reviews includes the use of benchmarking when undertaking the service reviews. Benchmarking data was also used to determine the phasing of service reviews with the highest cost services being prioritised in the early phases.	Yes	No
9	The Procurement Strategy should be updated to ensure it meets the requirements of the national strategy with clear links to social value and transparency. The number of purchases without a purchase order and contract waivers and extensions should be reduced.	Improvement	July 2022	During 21/22 a project was launched to review procurement and commissioning functions. This project is continuing and is making good progress in change of culture of the organisation regarding procurement and commissioning activity. As part of the project a new model for procurement and commissioning will be recommended along with a refreshed procurement strategy. A new Interim Head of Procurement has recently been appointed and a draft Procurement Strategy is currently out for consultation	Partially	Yes – Finalise and adopt the revised Procurement Strategy

Follow-up of previous recommendations

10	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
10	The Council should take action to improve recycling rates and should revise the levy mechanism to support this improvement.	Improvement	July 2022	<p>The LCR waste partnership has continued to meet to progress the LCR's Zero Waste Strategy and each district authority including Wirral has been requested to endorse the Strategy's framework from which the Strategy will be developed. The Partnership has also jointly funded a Partnership Manager post and postholder is now established and providing capacity to drive the Strategy and other waste management initiatives.</p> <p>Locally at Wirral the Environment, Climate Emergency and Transport Committee recently held a workshop on the Environment Act and its implications for future refuse collection and how this will drive recycling performance. As per the other LCR district authorities, Wirral is now preparing for the introduction of food waste collections and expansion of dry recycling (in response to the Environment Act). Wirral is participating in a region wide modelling exercise on options for future provision and maximising recycling performance. The exercise is due to completed in March 2023 and the recommendations will be used to create Wirral's waste management strategy, which will link to the LCR Zero Waste Strategy. The Council is preparing for a systematic change to refuse collection in the coming years to meet the requirements of the Environment Act, however a major focus of the new Wirral Strategy will be on resident behaviour change and support.</p>	Partially	Yes – ensure current plans are brought to fruition

Opinion on the financial statements



Audit opinion on the financial statements

Our audit of the Council's financial statements including the Pension Fund is complete. We issued an unqualified opinion on the financial statements on 30 October 2023.

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 Audit Findings Report, which was presented to the Council's Audit and Risk Management Committee on 24 October 2023.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. Under the current audit thresholds set, a full review of the audit report was not required. We have submitted the Assurance Statement to the WGA audit team on completion of the financial statements audit.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline, with the audit commencing October as agreed with the Council

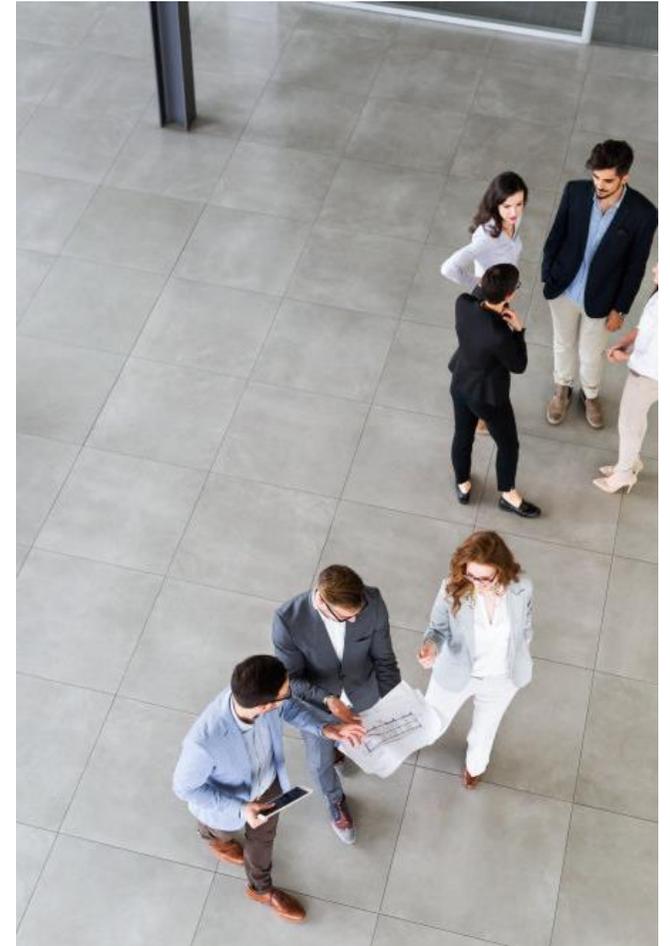
Issues arising from the accounts:

The Department for Levelling Up, Housing and Communities will issue an update to the Local Authority Capital Finance and Accounting Regulations to remove the requirement to consider component derecognition for infrastructure assets i.e. the statutory override. This will then allow us to complete our work in this area. This is not expected until late December 2022.

The overall quality of supporting working papers needs to continue to improve. We note in many instances that follow up queries were often needed to supporting working papers causing delays and additional costs to the audit.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



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.

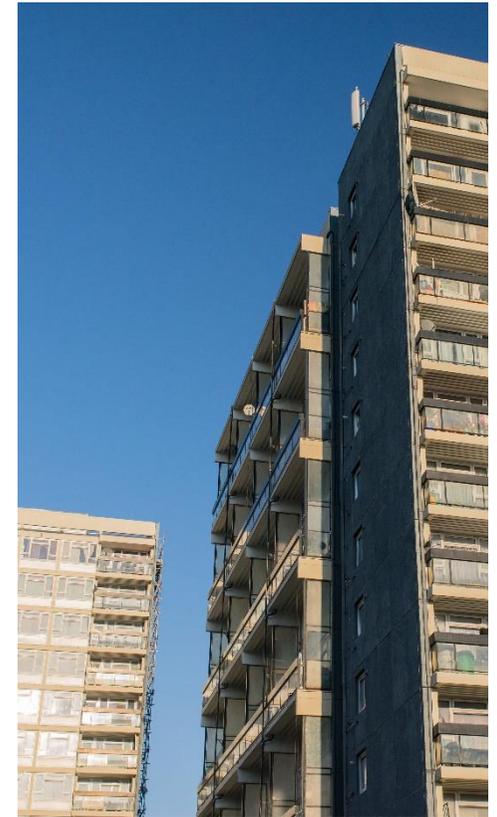
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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) 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 – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment 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 that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial sustainability was identified as a significant weakness, see page 9 for more details.	As set out on page 9	Recent improvements since the CIPFA and Ada Burns review including appointment of the independent panel and preparation of a financial recovery plan mean that improvements are being made however during 2021/22 the improved arrangements were being implemented and are not assessed as being embedded and the significant weakness for 2020/21 remains in place for 2021/22.	Appropriate arrangements not in place, one key recommendation raised, and three improvement recommendations raised.
Governance was identified as a potential significant weakness, see page 21 for more details.	As set out on page 21	We found no evidence or indication of significant risks to your governance arrangements as such no further risk-based work has been undertaken in this area	Appropriate arrangements in place and three improvement recommendations raised
Improving economy, efficiency and effectiveness was identified as a potential significant weakness, see page 28 for more details.	As set out on page 28	We found no evidence or indication of significant risks to your economy, effectiveness and efficiency arrangements as such no further risk-based work has been undertaken in this area	Appropriate arrangements in place and three improvement recommendations raised.

Appendix C – 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
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 their 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	Financial Sustainability p 7
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	Financial Sustainability p 17 -20 Governance p 25-27 Economy, efficiency & effectiveness p 30-33

Appendix D – Sources of evidence



Staff involved

- Paul Satoor - Chief Executive
- Shaer Halewood – Director of Resources
- Vicki Shaw – Interim Monitoring Officer
- Daniel Kirwan – Assistant Director of Finance & Investment
- Sally Shah – Assistant Director – Regeneration & Investment
- Peter Oakenshot – Interim Head of Procurement
- Nancy Clarkson – Head of Intelligence
- Mark Niblock – Chief Internal Auditor
- Diane Grisdale – Senior Finance Business Partner
- Helen Turner – Risk Continuity & Compliance Manager
- Mark Goulding – Senior Finance Manager
- Damian Cooke – Programme Manager



Key Documents Reviewed

- Wirral Plan
- Medium Term Financial Plan
- Cabinet papers
- Audit and Risk Management Papers
- Capital Programme
- People Strategy
- Strategic Risk Register
- Treasury Management Strategy
- Risk Management Policy
- Annual Internal Audit opinion
- Internal Audit Plan
- Member Code of Conduct
- Officer Code of Conduct
- Anti- Fraud Strategy and framework
- Data Strategy

Appendix E - Key acronyms and abbreviations

The following acronyms and abbreviations have been used within this report

A&RMC – Audit & Risk Management Committee

CIPFA – Chartered Institute of Public Finance & Accounts

DLUHC – Department for Levelling Up, Housing & Communities

ERP – Enterprise Resource Planning

ICT – Information & Communications Technology

LGA – Local Government Association

MRP – Minimum Revenue Provision

MTFS – Medium term Financial Strategy

NFI – National Fraud Initiative

P&R – Policy and Resources Committee

PPE – Personal Protective Equipment

SLT – Senior Leadership Team

WGA – Whole of Government Accounts



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