

Auditor's Annual Report on St Helens Borough Council

2022/23

15 March 2024



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

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



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

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Executive summary



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

Criteria	2022/23 Risk assessment (summary)	2022/23 Auditor judgement on arrangements		2021/22 Auditor judgement on arrangements		Direction of travel from 2021/22
Financial sustainability	The Council continues to face significant financial pressures. Its Medium Term Financial Strategy 2023-26 indicated a potential £22.4m cumulative gap over the 3-year period with proposed savings options of £12m, leaving a residual gap of £10.4m from 2024/25 to 2025/26.	A	No significant weaknesses in arrangements identified but improvement recommendations raised. We note this is a key area of risk and will monitor this area closely.	G	Our work did not identify any areas where recommendations were required in 2021/22.	↓
Governance	No risks of significant weakness identified.	A	No significant weaknesses in arrangements identified but improvement recommendations raised.	A	No significant weaknesses in arrangements identified but improvement recommendations raised.	↔
Improving economy, efficiency and effectiveness	The Council's Children's Social Care Services received an Ofsted inspection judgement of inadequate in 2019. The Council awaited a full Ofsted re-inspection to assess the overall level of progress at the time of our planning. CIPFA and Internal Audit reviews of property services in 2020/21 identified significant weaknesses with the governance and controls in place for land and property disposals. A significant weakness remained in place in 2021/22 but the Council started to make significant progress in its improvement agenda for property services during 2022/23.	A	The Council has addressed the significant weaknesses identified. Improvement recommendations made to support further improvements.	R	Two significant weaknesses in arrangements identified in relation to: the Council's Ofsted inspection results; and estates management, and two key recommendation made.	↑

G

No significant weaknesses in arrangements identified or improvement recommendation made.

A

No significant weaknesses in arrangements identified, but improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)



Financial sustainability

The Council used reserves to balance its 2022/23 outturn position and 2023/24 budget (set in 2022/23). It is also experiencing significant pressure in 2023/24 due to the continued high costs of demand-led services, including children's social care. We do not identify a significant weaknesses in the Council's arrangements in 2022/23 on the basis that the Council had a robust approach to developing its budget, medium-term outlook and savings plans, although we consider these could be improved to increase accuracy of forward financial plans, particularly by reducing the level of slippage against savings plans.

It is clear, however, that the Council's financial risk profile is increasing, particularly given further in-year cost pressures in 2023/24. Continued use of reserves to meet unplanned overspends or fund budget gaps in the 2024/25 budget could therefore constitute a risk of significant weakness. The Council is aware that it is vitally important to act robustly now to set its finances on a sustainable trajectory moving forward. Our improvement recommendations on pages 14 to 16 aim to support the Council in this regard and we will continue to monitor the Council's progress in this area, and we will monitor the Council's financial position carefully moving towards 2023/24 outturn and as it sets its 2024/25 budget.



Governance

Our work has not identified evidence of significant weaknesses within the arrangements in place. However, we have identified that the Council could continue to increase internal audit capacity, as it continues to clear a backlog of reports from prior year programmes and address some gaps in its assurance over areas such as IT. The Council experienced a major cyber incident in 2023. Although this fell outside the period of our 2022/23 review, we note that the Council has reported on this incident to Cabinet and that its processes minimised loss of data, although there was considerable internal disruption. On this occasion and based on the current situation the Information Commissioner's Office has not taken any action against the Council. We make improvement recommendations in these areas to support further improvement.



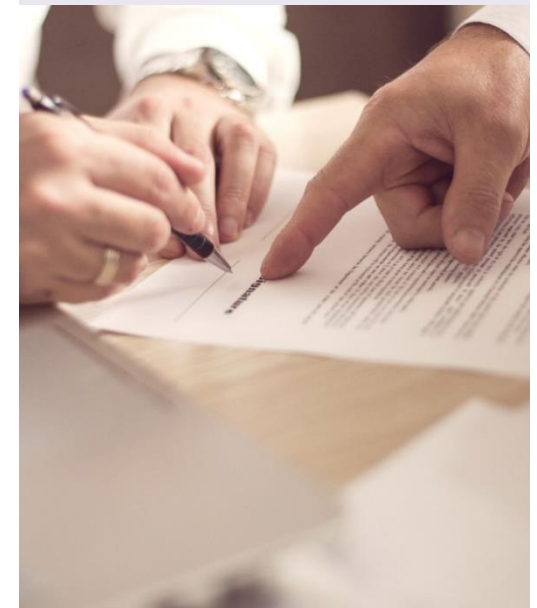
Improving economy, efficiency and effectiveness

The Council has good performance reporting to Cabinet, which combines a range of strategic and operational performance indicators. It is pleasing to report that the Council's efforts have resulted in its Children's Services being rated "Good" by Ofsted. We therefore consider the Council has address the significant weakness in its arrangements in this area that we identified in prior years, following its 2019 "inadequate" rating. The Council has also continued to embed improvements in estates management, which was a Key Recommendation from our 2020/21 value for money report following adverse findings from CIPFA and internal audit. Our work has not identified evidence of significant weaknesses within the arrangements in place to respond to these recommendations and on balance we consider the Council has addressed our recommendation. We have identified that the Council could increase assurance that the improvement activity undertaken has led to outcomes that are embedded and sustainable, and have raised an improvement recommendation in this area. Overall, our work has not identified evidence of significant weaknesses within the arrangements in place in 2022/23.



Financial Statements opinion

We have completed our audit of your financial statements and issued an unqualified audit opinion on 15 December 2023, following the Audit and Governance Committee meeting on 11 December 2023. Our findings are set out in further detail on pages 29 to 31.



Use of auditor's powers

We bring the following matters to your attention:

2022/23

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

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

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make an application to the Court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue any advisory notices.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review.

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

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

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

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

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



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

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

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 26.

The current Local Government landscape



Context

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

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

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

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

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

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

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

Financial sustainability



We considered how the Council:

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

Short and medium term financial planning

2022/23 Revenue Outturn

The Council's revenue outturn position for 2022/23 was an **overspend of £4.5m**. This overspend reduced the Council's level of reserves available to the Council as at March 2023. Like many other local authorities, the Council experienced significant pressure from the effects of inflation during the year. It attributed a variance of some £3.2m to the 2022/23 Local Government Pay Award and £1.5m to increasing energy prices.

The net portfolio spend was above budget by £10.3m. This includes the variance attributable to the settlement of the 2022/23 Local Government Pay Award and energy prices. Within this, the area with the greatest overspend was Children and Young People which had a variance of £7.5m. Cost pressures in this area continued into the 2023/24 year (see page 10).

The Council's portfolio overspend was offset by £5.8m of **favourable - but non-recurrent - variations in Council-wide corporate budgets**. The most significant of these was in relation to Treasury Management activity, where planned additional borrowing to fund capital expenditure was deferred and favourable Bank Rate movements increased the Council's returns on investments.

2022/23 Capital Outturn

The Council spent £49.6m in 2022/23 on its capital programme. This compares to an approved Capital budget of £56.6m, giving a net variance of -£7m. The net variance is explained almost entirely by slippage in planned expenditure (£7.2m) offset by some schemes brought forward and a small amount of additional funding applied to ongoing projects (£0.05m).

2022/23 Dedicated Schools Grant Outturn

Unlike many other local authorities, the Council does not currently have a deficit on its DSG. In 2022/23, there was an in-year underspend of £2.1m for the DSG. Taken together with the prior-year deficit position of £1.3m, the accumulated surplus position for the DSG to £0.8m. The Council noted however that a factor in the underspend was slippage against projects intended to have a positive long-term on the needs of pupils and students who have Statements or Education, Health and Care Plans, and manage the costs associated with this level of demand. As such, these underspends do not necessarily contribute positively to longer-term value for money. The Council reported these results to its Schools Forum in July 2023.

We make an improvement recommendation for the Council to integrate more commentary on its DSG position within its main quarterly and annual financial monitoring reports to Cabinet.

Financial sustainability (continued)

2023/24 budget

The Council understood clearly the implications of the funding settlement and integrated these appropriately into its 2023/24 budget. The Council's budget makes clear that the Spending Review in October 2021 provided headline funding allocations for local government for the three-year period to 2024/25, and the Financial Settlement announced in December 2022 again provided only a one-year funding settlement and uncertainty around funding allocations in future years remains. The budget and Medium Term Financial Strategy have been developed in line with national assumptions where appropriate.

The Council's 2023/24 budget responded to the significant cost increases in core services it experienced in 2022/23. The Council's net portfolio budget set within its 2023/24 budget was £175m, an increase of around £11m (5%) from 2022/23. The Council identified in its 2023/24 budget a gross funding gap of £6.6m in 2023/24 and a total gap over the three years to 2025/26 of £22.4m, and its savings proposals are a key measure to address this gap (see next page).

The Council made use of £4m reserves to balance the 2023/24 budget. It has acknowledged that "the use of reserves to support the revenue budget is not feasible or sustainable" As well as eroding the Council's ability to respond to the financial impact of unexpected events, the effect of using reserves in 2023/24 also creates a relative pressure in 2024/25 as this effect falls out of the budget. The Council recognises that given the increased pressures on the annual revenue budget, the Council's ability to augment reserves will become increasingly constrained in future years and it therefore needs to be clear on the purpose of the reserves it manages.

2023/24 budget delivery

We note that at the end of Quarter 2 2023/24, the Council's forecast is a net £6.7m overspend. This comprises a forecast service overspend of £9.4m against the updated net portfolio budget of £178m, non-delivery of savings being a significant factor (see page 19). This has, as in 2022/23, thus far been offset to an extent by Treasury Management underspends of £2.8m. The Council considers that this position presents an "extreme risk" to its ongoing financial sustainability and resilience. The Council is pursuing a range of measures to mitigate this overspend. It reported to its Cabinet in September 2023 that the Executive Management Board froze all recruitment and has directed that all non-essential expenditure be ceased. Use of reserves remains the "ultimate mitigation", but this level of use of reserves could, if taken from general balances, reduce that reserve from £12m (a level the Council wishes to maintain) to £5.3m which would be a risky position for the Council to be in moving forward, given it has itself identified that the overall level of reserves it holds are not excessive (see pages 11 and 16). This would also be at odds with the Council's intention to increase reserves balances over the medium term.

Financial sustainability (continued)

Identifying and delivering savings

The Council goes through an iterative process to develop its programme of savings, aligned to budget development. The Council approved the 2023/24 savings programme as part of the 2023/24 budget in March 2023. This resulted in approval of £7.4 million in savings in addition to £3.2m savings previously approved for 2023/24, along with £1.7m of savings slipped from previous years. Savings are developed as part of the budgeting process which involves iterative engagement of members and senior officers in review and approval. We saw that the scrutiny of the draft savings programme resulted in changes, with £3.1m of an initial proposed £10.6m of new savings proposed for 2023/24 removed. A supporting rationale for the removals was provided in the final budget submission to Cabinet. Savings proposals for the year ahead are eventually itemised in the main budget report in February.

The Council could improve the accuracy of its savings delivery forecasts. Failure to deliver planned savings presents a key risk to the Council. As at September 2023, only 61% of the £12.4m planned savings identified by the Council for the 2023/24 year were on track. The value of savings that were assessed as 'on track to be delivered' decreased from the Quarter 1 report from £8.1m to £7.6m. This was partly due to key Children's Services savings no longer being assessed as 'on track'. The quantum of forecast slippage was £4.6m, making under-delivery a significant cost pressure for the Council.

The Council needs to balance its ambitions for service improvement, financial management and savings to deliver realistic forecasts and a balanced financial plan. As set out above, the majority of the shortfall in savings was attributed to slippage, rather than savings not being achievable. The Council recognises the need to deliver efficiencies in key areas of spend, such as Children's services but it is difficult to balance efficiencies with improving services, in the context of increasing costs driven by external factors. Invest-to-save measures can take time to deliver results, and it is vital that the Council is realistic about delivery timescales to avoid over-optimism in its budget setting.

We recommend the Council ensure robust challenge when savings are proposed from services under significant budgetary pressure, including challenge on realism of planned timing of delivery (see page 15).

Medium term financial strategy

The Council has a clear understanding of its budget gaps and keeps key assumptions within its Medium Term Financial Strategy (MTFS) under review. The Council also fully recognises the need to address pressures over the medium-term, which are considered and agreed as part of the Medium Term Financial Strategy presented annually with the budget. The MTFS covering 2022-2025 identified a budget gap of £24.1m over the 3 year period with proposed savings of £11.3m, leaving a residual gap of £12.79m from 2023/24 to 2024/25. The Council presented a mid-year MTFS update to Cabinet in November 2022 which set out the key risks, pressures and uncertainties arising since the original budget was approved. The MTFS update included revised assumptions for pay and price inflation with significant increases in relation to energy, fuel, food and other service provision, with revised modelling on government funding, key variables and other pressures.

Medium term gaps remain substantial and will depend on delivery of the Council's planned savings programme as well as other factors. In February 2023 the Council set out its revised MTFS covering 2023-2026, alongside its revenue and capital budgets for 2023/24. The MTFS headline was a revised aggregate funding gap of £22.4m over the 3 year period. The Council have identified £12m proposed savings leaving a residual gap of £10.4m from 2024/25 to 2025/26. As at September 2023 the Council identified that overall the MTFS had moved favourably by £0.3m in 2024/25 and adversely by £0.5m in 2025/26. The first estimated budget gap for 2026/07 was £2.4m. This meant the forecast revised budget gap over the three-year period 2024/25 to 2026/27 was £13.3m. The Council attributes the favourable movement to an easing of prices for fuel and energy £0.9m on the MTFS over the next two years and £1.1m favourable movement in investment income, as well as revised projections on the Collection Fund.

Financial sustainability (continued)

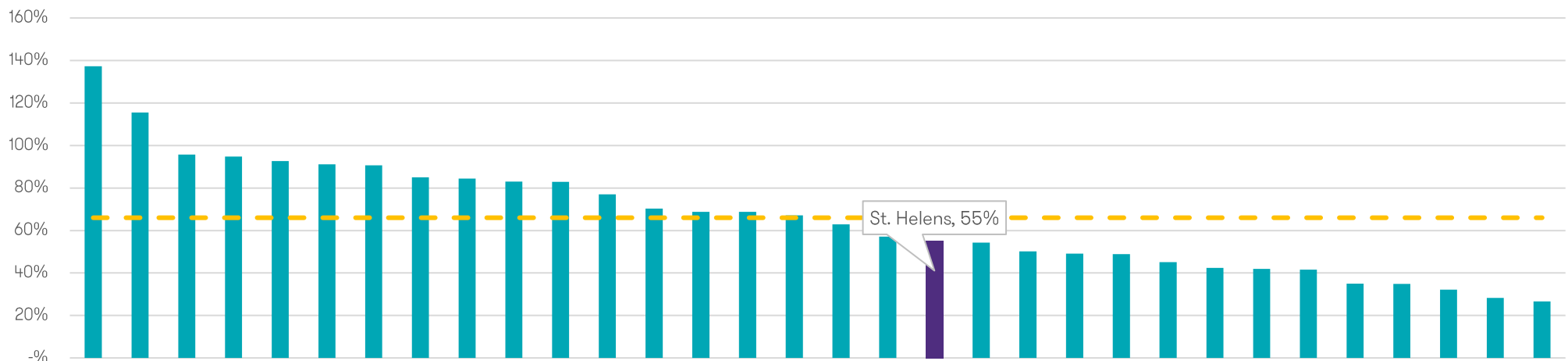
Financial risk and resilience: reserves

The Council has itself identified that it does not hold excessive reserves. Comparison with other Metropolitan District authorities bears this out (see chart below). The Council's overall level of general fund reserves decreased from £94.2m in March 2022 to £78.1m at end March 2023. Unallocated General Fund Balances reduced from £13.4m to £12m. Although it has set out its intent within its MTFS to rebuild its reserves, this ambition will inevitably come under pressure should it not be able to deliver its planned savings levels, or if it is not able to contain the rising cost of core services. This is clearly a key area of risk for the Council.

There is continuing pressure on the Council's reserve position in 2023/24. As set out above, at the end of the September 2023, the Council was forecasting a £6.7m overspend, for which use of reserves is the ultimate mitigation. This level of use of reserves, if taken from the £12m general balances would take that reserve to £5.3m which is a low position for the Council to be in moving forward given it has itself identified that the level of reserves it holds are not excessive and would be at odds with the intention to increase reserves balances over the medium term and maintain the general fund reserve at £12m.

The Council's budget includes the required assessment of the adequacy of reserves but this could be improved. The reserve risk assessment in the Council's MTFS identifies a range of relevant issues and assigns a likelihood and impact rating. However, its style is more of a narrative than a quantified, financial assessment. For example, the Council states that £12m is a prudent level of the general fund balances "last resort" reserve but does not set out in the budget report a detailed calculation to quantify how it made this assessment, or how much of its assessed level of risk is mitigated by this reserve. The same could be said of other earmarked reserves. This is covered in our improvement recommendation set out on page 16.

Chart 1: General fund and non-schools earmarked general fund reserves as a percentage of net service revenue expenditure (%) – 2021/22; Metropolitan District Councils (comparative data not available for 2022/23 at time of undertaking analysis for this report.)



Data is sourced directly from local authority draft Statement of Accounts published on council websites. As this data is taken from third parties, we cannot verify the accuracy or completeness of such information. Data is not available for all local authorities due to some delays in publications.

Financial sustainability (continued)

Financial risk and resilience: capital strategy and borrowing

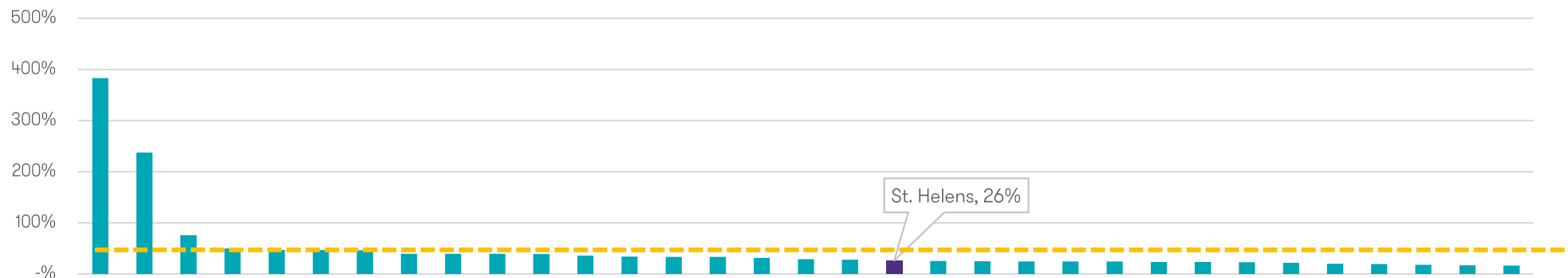
The Council's MTFS included a substantial pipeline of capital schemes linking to the Council's priorities of Growth and Regeneration, Highways Investment, Climate Change and IT and Digital Transformation. These schemes included investment in highway and property assets, regeneration of the borough and its localities, and invest to save schemes. The Council's Capital Strategy 2023/26 set out how new projects are selected and evaluated. The Council's capital programme at the time of setting the 2023/24 budget totalled £103.7m in 2023/24, £13.2m in 2024/25 and £11.4m in 2025/26. Of the 2023/24 programme, the majority (£61.9m) was expected to be funded by grants and other contributions, with the majority of the remainder (£40.6m) funded by borrowing. The Capital programme is revised through the year as new schemes are added and as the programme is updated to reflect revised expenditure profiles for capital schemes (including slippage).

As at 31 March 2023, the Council's level of borrowing was £137.7m, slightly lower than a year earlier. The Council did not take on new borrowing in-year and a £3.1m external loan matured. The level of borrowing remains below the underlying need for borrowing - a result of the Council's longstanding strategy of use available resources to reduce additional borrowing. Maintaining this strategy may, however, become more of a challenge if reserves continue to decline as they have in recent years (see page 11).

As set out in the chart below, the Council's level of external borrowing, relative to its long-term assets, does not indicate excessive risk in this area compared to other Councils. The Council has clear arrangements governing treasury management activity more generally and maintained an average balance of £160.7m surplus funds invested during the year.

The Council's method for determining Minimum Revenue Provision (MRP) does push more of the burden of debt repayment into the future. The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its MRP. The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £3.5m, a net increase of £0.3m from 2021/22. The Council's MRP is 1.8% because it is charging MRP on an annuity basis for those supported assets (pre 2008 regulations) and on certain regeneration assets. This approach is allowable under statutory guidance and results in a lower MRP charge in earlier years and a higher charge in later years. We recommended in our Audit Findings Report for the 2022/23 financial year that the Council should continue to examine the appropriateness of its MRP policy to ensure it is making sufficient charge to general fund and consider future affordability in using the annuity basis which results in increasing MRP charges in later years.

Chart 2: Long-term borrowing as a proportion of Long-term assets (%); 2021/22, Metropolitan District Councils- comparative data not available for 2022/23 at time of undertaking analysis for this report.



Data is sourced directly from local authority draft Statement of Accounts published on council websites. As this data is taken from third parties, we cannot verify the accuracy or completeness of such information. Data is not available for all local authorities due to some delays in publications.

Financial governance

Annual budget setting

The Council maintains appropriate budget setting arrangements.

We have previously reported that the Council has an established process for developing its annual budget and MTFS. The Council's budget is developed in a number of stages with senior officers refining assumptions and ensuring funding estimates are based on up-to-date intelligence, so that adjustments can be made to the forecast budget gap and savings proposals throughout the process.

The Overview and Scrutiny Committee provides challenge before the budget report is taken to Cabinet and Full Council for approval. The budget setting process also includes external engagement on decisions with service priorities. The Council recognises the uncertainties with accurately forecasting funding estimates and sets out in detail the key planning assumptions, variables and risks in putting together its medium-term plans.

The Council's budget submission makes clear that public consultation included details of budget savings options being explored. Participants were invited to complete a survey providing feedback on these options and the Overview and Scrutiny Commission was requested to set up a budget savings consultation Task Group to review the savings options proposed. As set out above, the MTFS and budget report details the savings plans that were not taken forward following this scrutiny and provides a short narrative as to why the proposals not taken forward were excluded from the programme.

Budgetary control

Budget monitoring responsibilities are clearly assigned and the information present to Cabinet balances detail with accessibility.

The Council's financial procedure rules clearly assign responsibility to strategic directors in terms of ensuring the financial implications of service proposals are included in their budgets and have approval from the CFO. In addition, Cabinet reporting includes performance at Directorate level which indicates that arrangements to reconcile financial and budgetary monitoring are aligned.

Quarterly financial reports to Cabinet provide a good balance of details while keeping the data understandable. We are aware from prior years that the level of detail provided was reviewed following an LGA Peer Review, with the new format approved by Senior Officers and discussed with Members.

Financial monitoring reports contain commentary on significant budget variations and highlight the period they relate to, demonstrating the promptness of reporting. The commentary explains what actions are being taken to help mitigate significant overspends. Any overspends are analysed and detail is provided on the causes and actions being taken.

A treasury management update is provided within the financial monitoring Report, to ensure that management and Members are updated on the impact of treasury management activity.


Financial sustainability and financial governance: conclusion

The Council used reserves to balance the 2022/23 outturn and 2023/24 budgets (set in 2022/23). It is also experiencing pressure in 2023/24 due to continued high costs of demand-led services, including children's social care. We do not identify a significant weaknesses in the Council's budget arrangements 2022/23 on the basis that the Council had a robust approach to developing its budget, medium term outlook and savings plans.

However, it is clear that the Council's financial risk profile is increasing, particularly given further in-year cost pressures in 2023/24. Continued use of reserves to meet unplanned overspends or fund budget gaps in the 2024/25 budget could therefore constitute a risk of significant weakness. The Council has acknowledged that "the use of reserves to support the revenue budget is not feasible or sustainable" and substantial use of reserves to balance subsequent outturn and budget positions could highlight a risk of significant weakness in its arrangements.

The Council is aware that it is vitally important to act robustly now to set its finances on a sustainable trajectory moving forward. The Council itself has noted the increasing possibility of a S114 notice in the medium term if it is not able to do so. Our improvement recommendations on pages 14 – 16 aim to support the Council in this regard and we will continue to monitor the Council's progress in this area and we will monitor the Council's financial position carefully as it delivers its 2023/24 outturn position and sets its 2024/25 budget.

Improvement recommendations

Improvement Recommendation 1	The Council should integrate more commentary and analysis on its Dedicated Schools Grant (DSG) position within its main quarterly and annual financial monitoring reports to Cabinet.
Improvement opportunity identified	Reporting the DSG position to Cabinet would provide an enhanced overview of potential near-term and medium-term financial pressures.
Summary findings	The Council reported its position to the Schools Forum but did not include this detail in the main budget submissions covering the 2023/24 Budget and MTFS
Criteria impacted	 Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed

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

Improvement recommendations

Improvement Recommendation 2

The Council should seek to ensure its medium-term planning assumptions and savings proposals are realistic and set its finances on a sustainable footing. Key assumptions should be considered and challenged robustly particularly where there are underlying service pressures (such as cost or demand inflation), such as in Children's Services. This should include both the timing and scale of savings proposals, particularly given ongoing efforts to embed service improvement, to guard against continued slippage and any adverse impact on the quality improvements made in these areas.

The Council's MTFS modelling should also include the potential cost implications of under-delivery against savings plans.

Improvement opportunity identified

The Council needs to balance its ambitions for service improvement, financial management and savings proposal to deliver realistic forecasts and a balanced financial plan.

Summary findings

Shortfalls in planned savings, mainly attributed to slippage are a key source of budget pressure for the Council.

Criteria impacted



Financial sustainability

Auditor judgement


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

Management comments

Acknowledging the complexities and range of risks as outlined in the MTFS, the planning assumptions and savings proposals are considered to be realistic and deliverable. Ensuring sustainability of the Council's financial position is a key strategic objective. The 2024-2027 MTFS modelling provides a sensitivity analysis of the potential cost implications of under-delivery against approved savings plans.

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

Improvement recommendations

Improvement Recommendation 3	The Council should quantify the reserve risk assessments presented in its budget and MTFS to indicate the financial impact should low, medium and high impact risks become issues. It should link this assessment to its assessment of the adequacy of reserves, setting out an explicit risk-based calculation to show how it has determined the prudent level of its general fund balances. If these are below its reasonable assessment of risk, the Council should set out what specific action it will take as a result.
Improvement opportunity identified	The Council's budget includes the required assessment of the adequacy of reserves but this could be improved. As with its discussion of risk more generally in key financial plans, the narrative identifies a range of relevant issues but the Council does not quantify the possible impact on its reserves of these risks becoming issues.
Summary findings	The Council has itself identified that it does not hold excessive reserves. The reserve risk assessment in the Council's MTFS identifies a range of relevant issues and assigns a likelihood and impact rating. However, its style is more of a narrative than a quantified, financial assessment.
Criteria impacted	 Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed

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

Governance



We considered how the Council:

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

Risk management and internal control

The Council has arrangements in place to identify strategic risks, understand them, record them within the body's risk management system and assess/score them. The Council's constitution assigns high-level responsibility for the effective development and operation of risk management to the Audit and Governance Committee. The Council adopted its current Risk and Opportunity Management Policy and Strategy Framework in March 2021. The policy is scheduled for review at least every two years in response to significant organisational and regulatory changes; the council informed us that this has recently been reviewed and is scheduled to be presented to the Audit and Governance Committee in March 2024. The strategy clearly outlines the risk management process. Risks are assessed according to the likelihood of the risk occurring and the potential impact if it did materialise using a standard 5*5 scoring method of likelihood and impact. Directorate Operational Risk Registers will be reviewed on a quarterly basis.

Strategic risk reporting to Audit and Governance Committee is undertaken around twice a year. Under the Council's policies, progress to manage strategic risks is reported to the Committee "on a regular basis". The Audit and Governance Committee received the strategic risk reports twice during 2022/23, in July and November 2022. The Council's Risk and Opportunity Management policy highlights that the Strategic Risk Register should also be reviewed on a quarterly basis by Executive Leadership Team, and the Council confirmed that risks are reviewed by senior managers regularly. Nevertheless, the Council may wish to consider more frequent reporting to the Committee given the fast-moving nature of some of the strategic risks identified. The risk report to the Committee contains many of the areas we would expect to see, providing information on the key controls in place to help prevent the risk from occurring, and assigns risks clearly to owners. The direction of travel for each risk could be clearer, to allow for more effective tracking of risk towards target scores over time. We raise an improvement recommendation in this area on page 20.

The 2022/23 Annual Internal Audit report and overall opinion of "reasonable assurance" was presented to the Audit and Risk Committee in July 2023. According to Internal Audit's current definitions, this means that in the Head of Internal Audit's opinion there is generally a sound system of governance, risk management and control in place. Some issues, instances of non-compliance or scope for improvement were identified. This is an equivalent opinion to the substantial assurance that was issued last year, but assurance levels have since been changed to comply with CIPFA's standard definitions.

The Council has an anti-fraud, bribery and corruption policy which was revised in June 2023. Anti-fraud work is planned annually as part of the Internal Audit plan. The 2022/23 Internal Audit Annual report highlights that due to limited resources, planned proactive fraud and irregularity work was not undertaken in 2022/23. Responsive work continued in relation to fraud and irregularity as and when allegations were received, or where issues were identified. In summary the investigative and irregularity work carried out encompassed nine investigations. The issues investigated related to fraudulent fundraising, care package financial assessment, payroll overpayments, Covid grant fraud and accusations of planning application bribes. We cover these areas under our improvement recommendation related to internal audit on page 21.

Governance (continued)

Internal audit

The Council has an established in-house internal audit function. The Council has an in-house internal audit function headed by the Head of Audit and Risk. Internal audit work is carried out in accordance with the Internal Audit Charter, the Accounts and Audit Regulations 2015 and the public sector internal audit standards (PSIAS).

The Council has progressed the required peer review of its internal audit service.

- PSIAS require that an external and independent assessment of the Internal Audit Service be carried out at least once every five years. An independent assessment (peer review) commenced in March 2023 and reported in November 2023.
- The report summarised conformance against 19 assessment areas; 18 out of 19 criteria 'Conformed' and one area 'Partially Conformed', which related to independence and objectivity.
- The review raised a number of recommendations in this regard including that Internal Audit progress reports to the Audit and Governance Committee, and the annual head of audit opinion, should clearly identify all reviews where the Audit Manager has been required to operate as the Chief Audit Executive.
- The Council reported that the four recommendations made regarding conformance, three have already been implemented and one was in progress.

Internal audit did not deliver the planned number of audit days or reports in 2022/23 or 2021/22. The 2022/23 Internal Audit plan was presented to the Audit and Governance committee in March 2022. The plan had a total number of 109 audits and a time allocation of 775 days and covered the core areas of risk management, governance, key financial controls and elements of IT as well as risk-based audits. As at July 2023 a progress report highlighted under-delivery against the agreed 2022/23 plan, with only 31% of reports complete, though the vast majority of the remainder were in progress, rather than cancelled.

The under-delivery was attributed to limited capacity. The 2022/23 Plan was set based on the team having four full-time equivalent (FTE) Senior Auditors in post which was not achieved in-year. In addition, 36 audit assignments from the 2021/22 audit plan were carried forward into 2022/23, which has had a significant impact on completion of the 2022/23 plan. The Council reported action taken during the year to address our improvement recommendation from 2021/22 (see page 27) including securing more permanent staff and reducing reliance on agency staff.

Internal audit were working to reduce the backlog and have taken action to address the underlying lack of capacity: We note that most of the work carried out in Quarter 1 (2023/24) related to audit activities from the 2022/23 audit plan which was by that point 74% complete. This still represents, however, a continuation of the under-delivery against plan we reported in our 2021/22 Auditor's Annual Report.

Following the appointment of the Head of Audit and Risk in February 2023, the service had also appointed a new Internal Audit Manager and Senior Auditor (both started work in May 2023) and has reported that it is almost at full capacity (six FTE), with plans to fill a final vacancy Counter Fraud Officer to support the Senior Counter Fraud officer in place.

In line with management's proposed actions in response to our improvement recommendation from May 2023, the Internal Audit Progress report presented to the July 2023 Audit and Governance Committee included a review of recommendations outstanding. It noted that 47 high and medium audit recommendations that had a target date on or before 31 March 2023 were outstanding. This had reduced from 60 reported in the previous quarter but has increased to 68 as of 30 June 2023.

Overall, we therefore consider that the Council has progressed our related improvement recommendations from our 2021/22 Auditor's Annual Report but now needs to ensure it is able to deliver an improvement in the amount of internal audit reports from the 2023/24 Plan. We raise an improvement recommendation in this area on page 21.

Governance (continued)

Information governance and cyber security

The Council experienced a significant cyber attack in August 2023. High profile cyber-attacks undermine trust in an organisation and shatter hard won reputations and consumer trust. The attack resulted in significant internal organisational disruption with many staff and teams impacted by the loss of key systems, although these were quickly restored and business as usual largely continued with work arounds in place. Post incident investigation by the Council has suggested that the attack may have been a precursor to a much more substantial cyber event with potentially greater implications in terms of data loss and financial demands. The Council's response and recovery process limited the impact substantially for both the organisation and service users. The Council activated its incident emergency response plan to promptly contain the cyber incident and prevent any data loss. However, the Council remains in an extended period of recovery with a full post incident action plan to ensure return to full business as usual.

The Council has set out proposed next steps to ensure robust future cyber security, sharing lessons and best practice to encourage greater awareness, training and resource provision across the sector. A full report on the incident was considered by Cabinet at its meeting on 22 November 2023. It has since put in place additional measures to reduce the threat of further cyber attacks and has set out a number of steps to improve security going forward. The Cabinet Report highlights that notification of the data theft was sent to the ICO within the required 72-hour window and that the ICO confirmed on 24 October 2023 that they have decided not to take any formal enforcement action against (though if further information relating to this incident comes to light, or if any further incidents are reported to the ICO, they will revisit this). The Cabinet report also identifies a number of actions to manage residual risks.

Our review of internal audit work shows several outstanding review related to IT and cyber security. This includes delays to a review of the Council's management of data breaches. It is difficult to determine whether completion of these reviews would have helped close any gaps in the Council's policies and procedures to help prevent the attack, though the Council does not consider this would have lessened the chances of the incident. Nevertheless, we recommend that as part of the Council's continuing response and lessons learned exercise following the August 2023 cyber attack, it enhances the internal audit function's capacity to conduct IT and cyber audits.

Arrangement governing decision making, behaviour and standards

The Council has clear arrangements in place for decision making and engagement. The Council operates a Council, cabinet, and committee system. The Council has adopted and approved its Constitution, which establishes an efficient, transparent, and accountable decision-making structure. Member and Officer roles are clearly defined within the Constitution. Decisions are made by the full Council, the Cabinet, and committees and, through delegation, by Council Officers. A public notice of key decisions is compiled and published on the Council website. The Cabinet has a provision for making urgent decisions, and the Council engages in consultations on various issues affecting the Council. A Local Government Association corporate peer challenge follow-up report from 2021 considered that the Council had made key improvements, including investing in a new senior officer leadership team, improved member-to-member behaviours, and developed a consistent process for decision-making since its 2019 report.


The Council constitution includes codes and protocols to guide members and staff, such as the Code of Conduct for Elected and Co-Opted Members. This code is based on the LGA model Code and Merseyside Code and addresses the best practice recommendations of the Committee on Standards in Public Life. Additionally, the Member/Officer Protocol fosters mutual respect and trust between members and staff. These codes and protocols are important tools to ensure good governance and promote ethical conduct within the Council. The policy for Gifts and Hospitality is contained in the Council constitution under the Code of Conduct. Declaration of interests is contained in the Council constitution under the Code of Conduct. Committee minutes indicate that members are given an opportunity to declare their interests at the start of meetings in the usual way.

Governance: Conclusion

Overall we did not identify significant weaknesses in the Council's arrangements with regard to governance within the scope of our review.

We raise two improvement recommendations on pages 20 and 21 to support further development of strategic risk reporting and to further progress in improving against the internal audit plans, respectively.

Improvement recommendations

Improvement Recommendation 4	<p>The Council should consider further development of its strategic risk reporting, by:</p> <ul style="list-style-type: none"> • considering the frequency of risk reporting to the Audit and Governance Committee; • reviewing the Risk Management Policy and Strategy Framework to remain sure it captures the prevailing environment. • including a direction of travel for each risk to enable more effective monitoring of risk over time.
Improvement opportunity identified	Quarterly reporting could help the Committee to stay informed about emerging risks that may impact the organisation's strategic objectives, operations, or financial performance.
Summary findings	The Council has well developed arrangements for risk identification, scoring and reporting. There is some scope for improvement to build on this further.
Criteria impacted	 Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	ROMP Policy is being refreshed. AG work programme to be reviewed regards number of meetings; enough to facilitate additional reporting, training and specialist presentations (AG effectiveness recommendations).


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

Improvement recommendations

Improvement Recommendation 5

The Council should ensure adequate priority is given within the capacity planning of internal audit to ensure key areas of risk are covered, particularly where planned work could not be completed in 2022/23 due to capacity issues in the internal audit service. Specifically, as it clears outstanding 2022/23 audit work and takes forward the 2023/24 plan, it should ensure there is adequate focus on:

- Anti-fraud activities as stipulated in the plan to ensure effective monitoring of activities is done and a robust system is in place; and
- Cyber and IT audits, to support the Council's continuing response and lessons learned exercise following the August 2023 cyber attack.

Improvement opportunity identified	Increased assurance over the Council's ongoing improvement of its arrangements to prevent future information governance issues or fraud.
Summary findings	Our review of internal audit work shows continued outstanding reviews related to IT and cyber security, and counter-fraud work.
Criteria impacted	 Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Partially agreed – Internal audit capacity has not decreased; the number of audit days within the 2024/25 draft audit plan is consistent with the previous year. IT security measures have been enhanced following the cyber incident in August 2023. We will review our proactive fraud activity throughout 2024/25 through fraud assessment and awareness.

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

Improving economy, efficiency and effectiveness



We considered how the Council:

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

Use of financial and performance information

The Council has clear and well-developed corporate performance reporting that provides useful information and insight across a range of strategic and operational indicators. The Council's performance framework is aligned to the priorities and outcomes of the "Our Borough Strategy 2021-2030". Progress on the delivery of these outcomes is reported through key performance indicators (KPIs) and targets, with updates provided to Cabinet via a quarterly Performance Report (including an annual outturn report). The reports highlight areas where action for improvement is required.

At Outturn 2022/23 the Council reported performance against 108 performance indicators, where outturn performance against target was available. The indicators reported are split between:

- Tier 1 – A set of high-level strategic indicators and targets that constitute the Outcomes Framework of the Borough Strategy 2021-2030.
- Tier 2 – A further set of performance indicators and targets to address key priority areas of performance within Directorates / Departments.

Overall, 56% of targets were met with a further 17% within 5% of target. This means 73% of indicator targets were been either exceeded, met fully, or met within 95% of target. This compares to 64% of indicators at outturn 2021/22. Comparative data indicated the Council was in the top quartile of performance for 15% of measures where a comparator could be identified. However, it was in the lowest quartile for 32% and in second-lowest quartile for a further 31% (though it is noted within the report that the latest available inter authority performance data largely relates to the 2021/22 financial year.)

Performance data highlights some areas where the Council could be more responsive to those residents that contact it with a complaint or via a Freedom of Information request. A total 745 complaints were received in-year, an increase on the 609 complaints received in the previous year, and above the annual target of 548. During the year there were 27 complaints relating to Children and Young People's Services, 96 relating to Adult's Services and 622 complaints relating to other Council services through the contact centre. Of the total, only 38% were responded to within policy timescales, a decrease on the 63% of complaints responded to within policy timescales during 2021-22, and below the annual target of 70%. 76% of all Freedom of Information requests (FOIs) received by the Council during 2022-23 were responded to on time, which is below the target of 84%. While we note no particular issues noted by the Local Government Ombudsman relating to complaints it considered, though the Council will wish to ensure timely responses to complaints to minimise the risk of future adverse findings in relation to its complaints handling.

The performance report provided to Cabinet does not contain detailed financial benchmarks that can be used to assess the Council's relative efficiency, compared to others. Given the financial pressures the Council faces, particularly within demand-led services such as social care we recommend it develops a set of financial benchmarks (such as unit cost benchmarks) and reports these within its quarterly performance reports. Our discussions with Council officers and review of its documentation indicates that it already makes use of relevant information within service areas (such as the use of "Placement North West" data within Children's Services), so this recommendation relates to drawing on existing information to enhance Members' ability to scrutinise and challenge performance at the organisational level.

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement – Ofsted inspection of Children’s Services

Since a judgement of inadequate for overall effectiveness at the last inspection in 2019, **St Helens children’s services have been on an improvement journey.** We reported in our 2021/22 Auditor’s Annual Report that Ofsted monitoring visits during 2022 confirmed the progress the Council has made and highlighted some areas where improvements will further strengthen practice. The Council was at that time awaiting a full Ofsted re-inspection to assess the overall level of progress made from the current inadequate rating and, as a result, we identified a significant weakness in its arrangements in this area and raised a related Key Recommendation.

A recent Ofsted inspection from July 2023 confirmed that significant improvements had been made. The inspection highlighted that since a new senior leadership team began work in 2022, there had been a determination to improve at pace, and a renewed focus and impetus which has led to significant improvements in all areas. As a result, Ofsted moved the Council’s rating to ‘Good’ (bypassing ‘Requires Improvement’) which is a significant achievement. The review notes the “children and young people in St Helens now benefit from much better help, support and care.” **Based on this improvement, we are satisfied that the Council had adequate arrangements in place to respond to Ofsted’s previous findings in 2022/23 and consider that it no longer exhibits significant weaknesses in this area.**

As with many other Councils, the Council continues to experience costs pressures in this area stemming from increases in demand, complexity and the cost of providing services. Our discussions with the Council indicate that it is aware of the need to continue to do all it can to bear down on costs in this area as it embeds the improvements it has made to the service. As set out on page 15, we recommend the Council is realistic about the scale and timing of savings it can deliver, as it continues to evolve the service.

Partnership working

We have previously reported that the Council recognises the importance of working with its partners to deliver the best outcomes for the Borough, and this remained the case in 2022/23. Among other key partnerships:

- St Helens, along with 5 other local authorities, is part of the Liverpool City Region Combined Authority. Its purpose is to facilitate greater economic growth across the City Region and work together in support of economic development, transport, strategic housing, and employment and skills.
- The Council is represented by the Director of Children’s Services as one of the 3 Key Partners within the Safeguarding Children Partnership arrangements which is a statutory Board and requirement.
- St Helens Youth Justice Service is a multiagency partnership that sits within children’s services in St Helens Borough Council. The service is led by the assistant director of children’s services, and the head of service for YJS and Prevent has responsibility for the YJS. Governance is provided by the multiagency YJS management board. The Service was recently rated “Good” by HM Inspectorate of Probation.

The Council adopted a partnership governance framework in late 2021. The framework recognises both the benefits of partnership working and the need to ensure that partnership working is not seen as a free good or a panacea, and that the results achieved through partnerships should be monitored. It sets out that new partnership activity should be subject to a business case, with clear exit criteria in place. As well as reports on the work of individual partnerships, Cabinet received information on the results achieved through key partnerships within the routine performance reports it receives quarterly.

Improving economy, efficiency and effectiveness (continued)

Commissioning and procurement

The Council maintains a range of appropriate arrangements to govern its management of procurements and to manage contracts. Contract Procedure Rules (CPRs) form part of the Council's Constitution and provide the governance structure to commission or procure works. The Council undertook a full review of the CPRs in late 2021.

The Council now manages its procurement service through STAR Procurement, a shared procurement service between the Council and a number of other local public bodies regionally. STAR procurement has its own procurement strategy 2019 to 2024 set out on its website. This arrangement has been in place since October 2023 so will consider it in more detail in due course, as part of our review of the Council's arrangements in the 2023/24 financial year. We understand the move to STAR procurement was partly to address strategic leadership capacity with procurement, as well as to ensure the Council's procurement team were able to focus on their core business rather than being drawn into wider finance function tasks, such as placing orders. By Joining Star, the Council will adopt its procurement business plan, responsible procurement strategy and CPRs. However the Council will maintain its own CPRs until the Constitution can be amended, which we understand is planned for May 2024.

The Council did not produce a consolidated waiver reports to those charged with governance during 2022/23. Its management information indicates that there has been some exception activity, the more significant of which are covered by Delegated Executive Decision's (DED's) with Procurement Implications, of which there were 22, with the number with contract exemptions being 3. The Council plans to develop its reporting of breaches of Contract Procedure Rules (CPRs), which are note currently recorded but which we understand will be following the planned CPR Review (May 2024). The Council reported to us that it did not issue any voluntary ex-ante tender (VEAT) notices during 2022/23 and is not aware of having received any formal challenge over the conduct of a procurement during the year. **We recommend the Audit and Governance Committee is provided with regular reports on breaches and waiver activity to allow for monitoring of performance in this area.**

Estates management


We reported in May 2023 in our 2021/22 Auditor's Annual Report that the Council had taken steps to address the serious failings and identified governance weaknesses within property services following the CIPFA property review (2021) and internal audit estates management reports in 2022. We considered that the Council had taken clear steps in its improvement agenda for property services and made significant progress. However, since these improvements were made during 2022/23 we continued to identify a significant weakness in the Council's arrangements in place during the year under review (2021/22). Notably, the Council appointed a Property Service Transformation Programme Manager to manage its Property Transformation programme which was approved in February 2022. It also established a revised governance framework with the Executive Director of Place as the Senior Responsible Officer, and the Director of Strategic Growth as Programme Director. Progress was monitored monthly. The Council recognised the scale of the transformation required within property services and established key workstreams to give priority to addressing the identified weaknesses, restore good governance and refocus the service's role, function and capabilities.

We reported in May 2023 that good progress was being made in these areas. The Council reshaped the property services team in July 2022 with 3 integrated functional teams for commercial estates, buildings and facilities management, and major projects, which is supported by a business and customer service team. It has also focussed on strategic asset management to develop transparency in property decision making and establish a corporate approach through the new Strategic Property Group. The Council set out a revised Asset Strategy and Asset Management Plan (AMP) 2023-26 which provides the strategic framework for the effective management of Council owned land and buildings, approved by Cabinet in January 2023. Internal Audit reported to the September 2022 Audit and Governance Committee that 12 out of 24 recommendations from the original reports had been implemented, with the remaining 12 due to be resolved by March 2023. A further update provided to us showed 9 outstanding recommendations being tracked at March 2023 with all implemented or in progress. **It is clear that the Council has taken steps to address the identified failings and governance weaknesses identified in the CIPFA and IA reviews, and we are therefore satisfied that its response to the identified weakness, as set out in our prior Key Recommendation, was adequate in 2022/23. We therefore do not report a significant weakness in this area in 2022/23. We do however recommend the Council commission a re-review of its estate management arrangements, to provide Audit and Governance Committee with further assurance that the implementation of recommendations is complete and that the improvements made have been sustained (page 26).**

Improving Economy, Efficiency and Effectiveness: conclusion


Overall, we did not identify significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in 2022/23. In addition to the improvement recommendation set out about, we raise an improvement recommendation to support enhanced waiver reporting to the Audit and Governance Committee on page 25.

Improvement recommendations

Improvement Recommendation 6	We recommend the Audit and Governance Committee is provided with regular reports on breaches and waiver activity to allow for monitoring of performance in this area.
Improvement opportunity identified	Increased assurance over the Council's compliance with procurement regulations and its contact procedure rules.
Summary findings	The Council did not produce a consolidated waiver reports to those charged with governance during 2022/23.
Criteria impacted	 Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	STAR procurement will present to Audit & Governance Committee in March 2024 and procedures for onward assurances/frequency of updates will be developed during the year.

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

Improvement recommendations

Improvement Recommendation 7	We recommend the Council commission a re-review of its estate management arrangements, to provide Audit and Governance Committee with further assurance that the implementation of recommendations is complete and that the improvements made have been sustained.
Improvement opportunity identified	Increased assurance that the substantial improvement activity in this area ad delivered improvements that are both embedded and sustainable.
Summary findings	The Council has taken steps to address the serious failings and identified governance weaknesses within property services following the CIPFA property review (2021) and Internal Audit (IA) estates management reports in 2022. However, it is not clear that a follow-up review has been commissions and no review of estates management is noted in the 2023/24 internal audit plan.
Criteria impacted	 Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. Internal Audit are close to completing a review of the Property Transformation Programme. Land and Property Disposal rules have been reviewed with Legal and some necessary amendments have been identified.

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

Follow-up of previous recommendations

	Recommendation	Type	Date raised	Progress to date	Addressed?	Further action?
1	Internal Audit should progress the PSIAS recommendation outstanding since 2018 and assess the efficiency and effectiveness of introducing more data analytic techniques into its work.	Improvement	May 2023	Peer Review assessment of the Internal Audit service took place in March 2023. The final external quality assessment report was issued in November 2023. 18 of 19 areas 'Conforms' criteria and one 'Partially Conforms'. Of the four recommendations made regarding conformance, three have already been implemented and one is in progress.	Yes	No
2	The Council should ensure it has sufficient capacity from its Internal Audit resource to deliver enough risk-based work in line with its assurance framework and to minimise the risk of gaps in coverage. This should be monitored by A&G and IA Plan changes tracked against the original Plan.	Improvement	May 2023	The IA service again under-delivered against plan in 2022/23, though this performance will largely have been reflected in our prior report. Since then, key posts within the IA service have been filled.	Partly	Yes - We raise a recommendation to ensure that the Council's IA capacity is focused on delivering improvements in assurance in key areas. See improvement recommendation No. 5
3	It is recommended that the Audit and Governance Committee has a focus on review of Internal Audit recommendations to ensure the backlog of outstanding recommendations are cleared. Consideration should be given to requesting that relevant officers attend the Committee to explain delays in implementation of where timescales are put back.	Improvement	May 2023	Updates have been provided to the Committee	Yes	No
4	We recommend the A&G Committee conduct a review during 2022/23 against the new CIPFA Audit Committee position statement to establish if there are any gaps in their practices which could impact the effectiveness of the Committee. In particular it should address any training requirements to help ensure members provide knowledgeable and effective challenge.	Improvement	May 2023	The recommended review has been undertaken and findings reported to the Committee	Yes	No

Follow-up of previous recommendations (cont.)

	Recommendation	Type	Date raised	Progress to date	Addressed?	Further action?
5	We recommend the A&G Committee conduct a review during 2022/23 against the new CIPFA Audit Committee position statement to establish if there are any gaps in their practices which could impact the effectiveness of the Committee. In particular it should address any training requirements to help ensure members provide knowledgeable and effective challenge.	Key	May 2022	Overall, the Council has taken steps to address the serious failings and identified governance weaknesses and we are therefore satisfied that its response to the identified weakness was adequate in 2022/23. However, it is not clear that a follow-up review has been commissioned and no review of estates management is noted in the 2023/24 internal audit plan. Further Commentary is provided on page 24.	Yes	We raise an improvement recommendation in this area (see improvement recommendation 7).
6	The Council needs to continue to prioritise service improvements in line with the latest Ofsted findings within its revised Children's Improvement Plan ensuring suitable capacity and resources are provided to support actions being taken. It is important that existing improvements are embedded.	Key	May 2023	A recent Ofsted inspection from July 2023 confirmed that significant improvements had been made. As a result, Ofsted moved the Council's rating to 'Good' (bypassing 'Requires Improvement') which is a significant achievement. The review notes the "children and young people in St Helens now benefit from much better help, support and care." Based on this improvement we are satisfied that the Council had adequate arrangements in place to respond to Ofsted's previous findings in 2022/23 and consider that it no longer exhibits significant weaknesses in this area. Further commentary is provided on page 23.	Yes	Yes, we raise a related improvement recommendation (see improvement recommendation no. 2).

Opinion on the financial statements



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

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

We conducted our audit in accordance with:

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

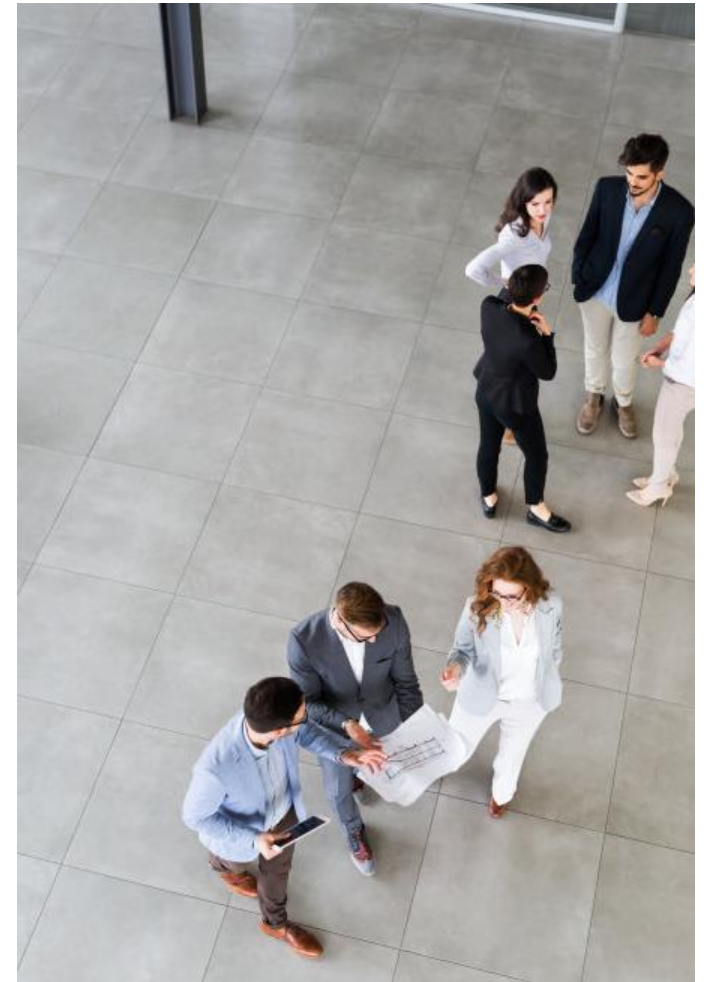
We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

We issued an unqualified opinion on the Council's financial statements on 15 December 2023.

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

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



Opinion on the financial statements



Timescale for the audit of the financial statements

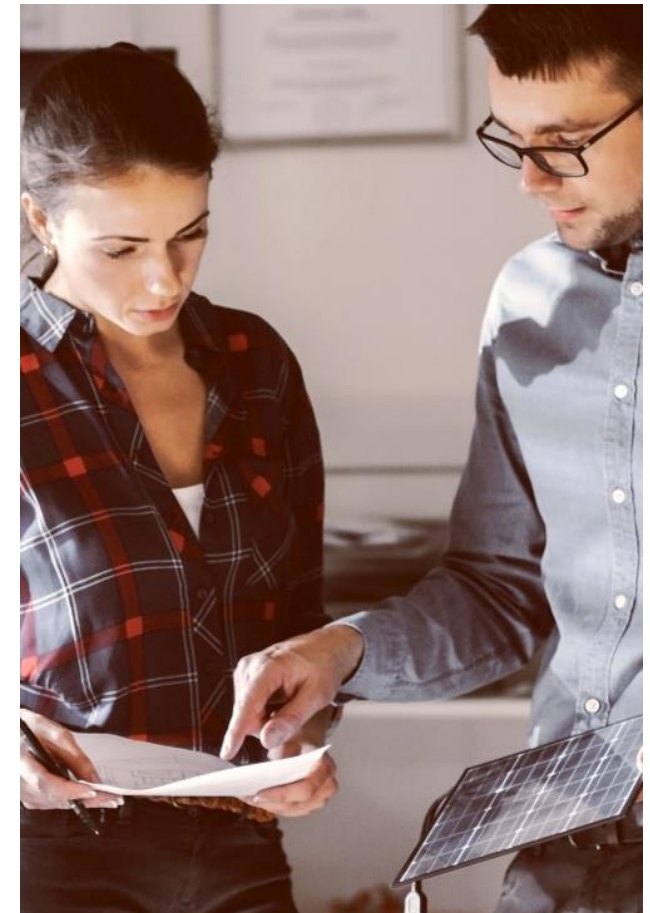
- We issued the Audit Plan in July 2023 and presented this to the Audit and Governance Committee.
- Our final accounts audit was completed between July and December 2023.
- The Council provided draft financial statements in line with the national timetable, however both your finance team and our audit team faced audit challenges with the cyber-attack on the Council systems. This meant significant delay in accessing data and records to support our audit testing and some diversion of staff resource to deal with other priorities.
- As a result, the audit timeframe was extended to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements as systems came back online.
- We issued the opinion on 15 December 2023.

Findings from the audit of the financial statements

The key issues were:

- A high priority recommendation to examine cyber preparedness and prioritise the delivery of proposed steps to reduce the risk of further incidents
- A high priority recommendation to ensure the proposed new general ledger system provides clear mapping of financial information with minimal off ledger adjustments for the preparation of future financial statements
- Some improvements required to disclosures within the financial statements.

More detailed findings are set out in our Audit Findings Report, which was presented to the Council's Audit and Governance Committee on 11 December 2023. Requests for this Audit Findings Report should be directed to the Council.



Other reporting requirements



Other opinion/key findings

We issued unmodified opinions in respect of other information.

We did not report any matters by exception.

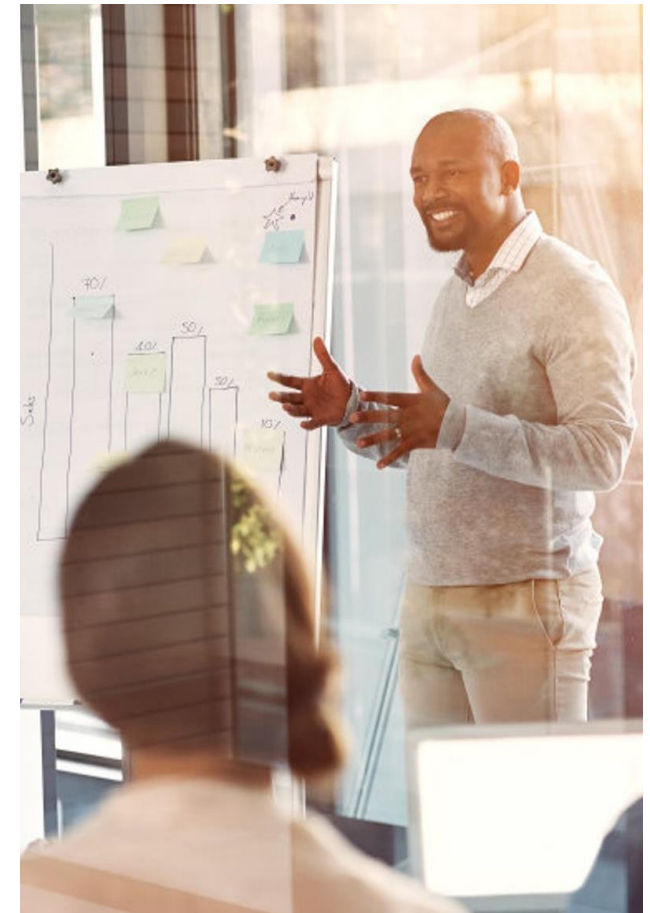
Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit and Governance Committee on 11 December 2023.

Whole of Government Accounts

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

We completed this work following the issue of our opinion and will certify the closure of the audit on completion of our work on value for money.



Appendices

Appendix A:

Responsibilities of the Council

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

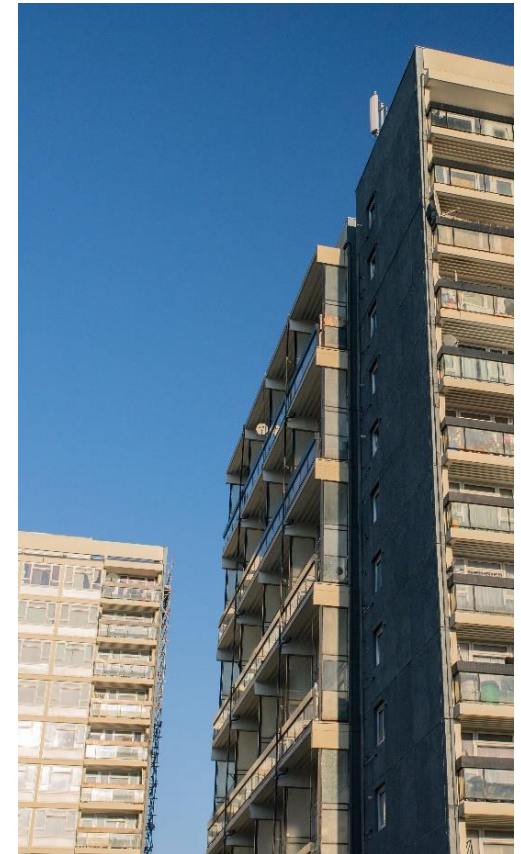
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B:

An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/a
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/a
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Pages 14-16; 20-21; and 25-26

