Appendix A

Annual Audit Report

St. Helens Borough Council

For the year ending 31 March 2021

May 2022

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.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive summary

Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

We identified risks in respect of:

- Financial sustainability – effectiveness of arrangements to identify and deliver required savings
- The Ofsted Inspection of Children's Social Care Services – delivering improved outcomes following the 2019 "Inadequate" inspection rating
- Waste partnership – effectiveness of partnership governance arrangements in Merseyside for waste management
- Estates management – effectiveness of arrangements to secure best value in property management

Financial sustainability

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

As part of our planning, we identified a risk of significant weakness around financial sustainability arrangements at the Council due to continuing uncertainty over future government funding and a potential £33.4m cumulative budget gap over the 3 year MTFS period 2021-24 with proposed savings options of £24.8m over the same period.

We did not identify any significant weaknesses from our work in this area. Whilst the Council continues to face significant financial pressures we consider the financial planning arrangements are sound. In particular, the Council has been successful in the identification and delivery of savings to date.

Further detail can be found on pages 8 to 10

Governance

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

We did not identify any significant weaknesses from our work in this area. Further detail can be found on pages 11 to 16.

Improving economy, efficiency and effectiveness

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

Ofsted

We identified a risk of significant weakness around improving Children's Social Care Services following the "Inadequate" Ofsted rating in 2019. The Ofsted monitoring visit in 2020 confirmed that good progress had been made but the Council still had a way to go to secure sustained improvements in the effectiveness of Children's Social Care Services.

Our work found ongoing areas of significant weakness in the delivery of Children's Social Care Services.

The recent Ofsted revisit in November 2021 reported a number of areas of concern which remain unresolved with the service continuing to face considerable ongoing challenge.

Based on our review of the arrangements in place, we believe that further improvement is still required to improve outcomes in Children's Services.

The key improvement recommendation is reflected on page 5 of this report. Further detail can be found on pages 21 and 22.

Waste partnership governance arrangements across Merseyside

We identified a significant risk with waste partnership governance arrangements across Merseyside. There are financial and environmental challenges with rising levels of residual waste and below average recycling rates across Merseyside.

Executive summary

Improving economy, efficiency and effectiveness (cont'd)

Taking into account the recent developments, we have identified three recommendations that will help to further improve the degree of coordination and quality of waste management services across the region. Realising these actions would deliver a fit for purpose governance model which can aide the clear communication to political leadership of the long term benefits to the citizens of the region of these changes.

The detailed findings from our review are set out on pages 23 to 32. We have identified three recommendations that will help to further improve the degree of coordination and quality of waste management services across the region.

** Please note the management responses to the recommendations set out on pages 30 to 32 are provided by the Chief Executive of Merseyside Recycling and Waste Authority and the joint lead of the Merseyside Strategic Waste Management Partnership Board.

Estates management

During the year, concerns were identified by the Council over the governance and controls in place for land and property disposals. We therefore identified this as a risk of significant weakness given similar issues that have occurred at another authority in Merseyside.

Based on our review of the arrangements in place, we believe that significant improvement is required over the governance and controls in place within the estates management service.

The key improvement recommendation is reflected on page 6 of this report. Further detail can be found on pages 19 and 20.

Key recommendations

Improving outcomes in Children's Services

Recommendation	The Council needs to continue to prioritise actions identified in the revised Children's Improvement Plan to address the areas of concern raised by Ofsted and DfE in the delivery of children's social care services. The revised Improvement Plan needs to focus on actions that will have the greatest impact on improving outcomes.
Why/impact	Outturn performance reporting for 2020/21 identified ongoing challenges within Children's Services. Inter-authority comparisons indicated that of the 17 lower quartile indicators there are 11 against the Borough Strategy Priority 1 - Ensuring children and young people have a positive start in life. Further improvement is therefore required to ensure that outcomes are improved in this service.
Auditor judgement	Children's Services have continued to improve during 2020-21. There is a clear commitment to improve through additional investment in the service and the arrangements put in place to monitor progress against the Improvement Plan. However, Department for Education and Ofsted monitoring visits during the year have highlighted areas that require further improvement. Factors contributing to the lack of progress included challenges in the stability of the workforce, ineffective management oversight and the recently introduced new recording process for the social work practice model. Ofsted found a lack of timely progress and work completed to address the needs of too many children.
Summary findings	The Council's Children's Services face considerable ongoing challenge as reflected in the recent Ofsted revisit in November 2021 and has a number of areas of concern which remain unresolved. Based on our review of arrangements in place as well as the findings from the latest Department for Education and Ofsted monitoring visits, we believe that further improvement is still required to improve outcomes in Children's Services. The Council need to continue to prioritise improvement in the service.
Management Comments	Whilst considerable improvements have been made since the 2019 ILACS inspection, the Council recognises there is more to do. As a consequence of recent monitoring visits and recommendations to the DfE by the Improvement advisor a number of actions have been taken: • Creation of a revised improvement plan to address identified priorities for the Council to deliver including: o Create an environment that supports practice improvement o Improve the quality of key aspects of practice o Leaders, managers and front-line staff have an accurate understanding of practice that is used to drive improvement o Develop key areas of service improvement • Establishment of an operational project team to drive improvement • Introduction of new ways of working that supports frontline staff • Reviewed and re-established an improvement board with a new independent chair and DfE improvement Advisor.

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

Key recommendations

Estates management

Recommendation

The Council needs to urgently address governance and internal control weaknesses identified in estates management to reduce the risk of loss arising from potentially undervalued property disposals.

In addition, Internal Audit should complete its ongoing investigation into historic land and property disposals promptly to establish whether the weaknesses in arrangements have allowed fraud to occur. The Council should ensure there was sufficient scope from the work undertaken in this area.

Any further weaknesses arising from this investigation should be built into the improvement plan for the service.

Why/impact

The 2021 CIPFA review of the Council's organisation and performance in relation to the planning, coordination and management of its land and building assets identified a number of areas for improvement. In addition, an Internal Audit review of estates management (reported January 2022) resulted in 17 high priority and 7 medium priority recommendations.

The findings from the work undertaken in 2021 suggest significant weaknesses in arrangements to ensure best value on disposals and a lack of good governance arrangements in place.

Auditor judgement

The reports issued to date from an independent CIFPA review and a further follow up by Internal Audit on estates management suggest serious failings in the overall governance of the estates management service and a potential for lost income or fraud arising from land and property disposals.

Summary findings

The Internal Audit Report raised serious concerns with the overall governance arrangements in place within estates management resulting in minimal assurance (a significant number of expected controls are not in place or there are significant weaknesses in the control system that may put the service or system's business objectives at risk).

The Council have subsequently recognised the work required to recover the service and tackle the numerous issues identified in the report. It has appointed a Property Service Transformation Programme Manager to manage the Property Transformation programme.

Internal audit are also conducting further investigation work on land and property disposals which is almost due for completion. We have been advised that the findings to date show no evidence of fraud, bribery or corruption.

Management Comments

The Property Service Transformation programme has been established. It reports to the Council's Change Board. The programme scope, vision, outcomes and objectives have been agreed which address the recommendations. They include:

- Strategic Asset Management –corporate governance has been put in place to review, challenge and maintain the estate so that it is sufficient, suitable, efficient and remains aligned to Council needs.
- Property Data System –an integrated IT system has been commissioned to improve productivity, access to information for decision making and performance management.
- Estates Management – procedures to protect the Council's legal interest as owner, occupier and user of land and property, optimise financial returns and value of the estate
- Commercial Property - strengthen commercial property capabilities and seek opportunities to maximise income for the council.

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

Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its 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 each of these three areas, as well as the impact of Covid-19, is set out on the following pages. 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 it is facing and builds these 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
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial year 2020-21

The Council is operating within a financially challenging environment, particularly within the context of continuing austerity. It set a one-year budget for 2020/2021 (approved in March 2020, and prior to the Covid-19 global pandemic) which recognised areas of demand led pressures, particularly in children's social care, and reductions in income generation. The budget included the requirement to deliver £5m savings and a £5m contribution from reserves to arrive at a balanced budget position.

The budget setting process for 2020-2021 was subject to a detailed and thorough review by a Task Group of the Overview and Scrutiny Commission. The Commission agreed in September 2019 to create a cross party Budget Scrutiny Task Group whose responsibility was to assess the robustness of the budget setting process. The Task Group reported back to the Overview and Scrutiny Commission at its meeting on 10 February 2020, that '*the process for setting the Council Budget for 2020/21 has been robust and thorough*'.

Financial plans will inevitably impact on staffing structures and the Council recognises the importance of creating a secure working environment. The Council introduced the Mutually Agreed Resignation Scheme (MARS), which is designed to meet the financial challenge, workforce reductions and other efficiency needs to increase flexibility and allow the Council to respond to periods of rapid change. The MARS scheme enables staff to leave the organisation voluntarily and creates opportunities to redeploy resources to higher priority areas and reduce costs in lower priority areas, aligned to the financial plans. In addition, the Council is progressing its organisational design and development framework to help ensure it has the right people with the right capabilities, skills and attitudes to support the Council's future strategic aims.

The outbreak of the Covid-19 pandemic had a significant impact on the normal operations of the Council and led to substantial financial pressures. As 2020/21 progressed the government provided additional £10.7m emergency funding, £4.3m compensation for losses in sales, fees and charges and a number of other Covid related funding streams.

Increased cost pressures in response to the pandemic included significant spend in adult care, support for early years, tackling homelessness, provision of community food hubs and personal protective equipment for front line workers.

The Council continued to monitor the impact of the revenue budget and the impact of Covid 19 pressures through regular financial monitoring reports to Cabinet. This was extremely challenging against the changing levels of restrictions and piecemeal funding announcements. Reports provided the forecast outturn positions and the impacts arising from Covid-19.

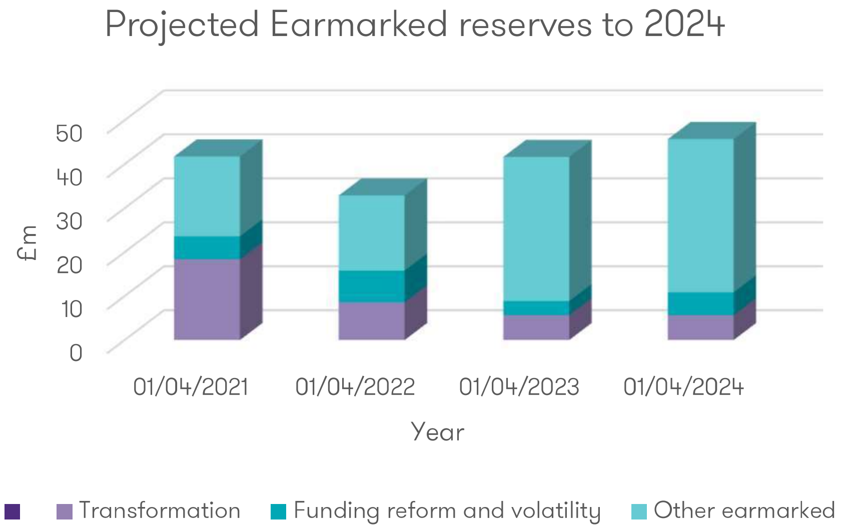
The Council operates delegated financial management arrangements. Following the approval of the annual budget, Directorates and Heads of Service are responsible for monitoring the budget and ensuring saving plans remain on track. The financial position is reported on a monthly basis to the Council's Section 151 Officer or deputy. Any underperformance against budget requires corrective action, where possible, to ensure the budget stays balanced by the end of the financial year.

The Council carries out three quarterly cycles of budget monitoring during each financial year together with a combined revenue and capital final outturn report, each of which is reported formally to Cabinet. These are also reported to the Overview and Scrutiny Commission. Cabinet recommends to Council approval of any adjustments to capital or revenue budgets.

The Council reported an overall revenue outturn underspend of £3.5m for 2020/21. The outturn position is one-off in nature, due to the exceptional circumstances arising from Covid-19 and reflects the net position after the application of Covid-19 funding to cover the additional expenditure and losses of income directly related to the pandemic. The underspend of £3.5m has increased the level of General Fund Balances and meant the Council did not need to use its reserves, as set out in the original budget.

Financial sustainability

Earmarked Reserves (updated projection at December 21, quarter 3 monitoring report)



Note: excludes General Fund reserves of circa £12k and other specific reserves (Covid and Schools) and assumes the rebuilding of reserves as detailed with the MTFS 2022-25.

During 2021/22, £9.149m will be used for a Pensions prepayment to Merseyside Pension Fund (from the Transformation Reserve) with this sum being reimbursed during 2022/23 to a new Pensions Reserve (The Pension Reserve is shown within other earmarked reserves in the table above).

MTFS 2021/24 funding gap and savings

MTFS (as at Mar 21)	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
Budget gap	13,440	12,040	7,904	33,384
Total proposed savings	13,440	10,044	1,300	26,780
Residual gap	0	1,996	6,604	8,600

MTFS (remodelled mid-year at Sep 21)	2021/22 £'000	2022/23 £'000	2023/24 £'000
Revised cumulative budget gap (after delivery of savings)	0	501	9,655

Financial position

General Fund reserves, including earmarked reserves, have increased to £95.581m as at 31 March 2021, (£61.052m at 31 March 2020). Within earmarked reserves is a Covid-19 funding reserve of £28.553m, of which £20.169m is committed government funding relating to the extended retail, hospitality and leisure scheme and earmarked for that purpose. A Transformation reserve of £18.377m, set aside for changes in service delivery and an upfront pension payment to the Merseyside Pension Fund, and a new Funding Reform Volatility reserve of £5.227m for future resilience against future funding and finance risks.

The Council agreed its Medium-Term Financial Strategy (MTFS) in February 2021, which covers a 3 year period from 2021/24 and includes its revenue and capital budget 2021/22. The MTFS set out the financial challenge faced by the Council and identified a potential funding gap of £33.4m over the 3 year period with £13.44m falling in 2021/22. Proposed savings options were developed in setting the 2021/22 budget with a cumulative gap of £8.6m to be identified from 2021/22 onwards (see MTFS table opposite). The MTFS 2021-2024 includes a reserves strategy and projected future reserves position based on approved commitments and anticipated spend and income through to 2024. The Council is looking to rebuild its reserves to provide future financial resilience whilst having sufficient resources to deliver its priorities. It has set a £12m minimum unallocated general fund reserve as part of its reserves strategy.

The Council remodelled its assumptions and updated its MTFS mid year following the outcome of the comprehensive spending review. The revised modelling of key variables, risks and assumptions resulted in an updated cumulative budget gap of £9.655m (as set out in the table opposite). This was reported to Cabinet in November 2021.

The MTFS is continually revisited and in February 2022 the Council set out its revised MTFS 2022/25 alongside its revenue and capital budget 2022/23. The MTFS headline is revised funding gap of £24.1m over the 3 year period. Proposed savings as shown in the table below are £11.3m leaving a residual gap of £12.79m from 2023/24 to 2024/25.

MTFS 2022/25 funding gap and savings

MTFS (as at Feb 22)	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Budget gap	6,044	11,736	6,357	24,137
Total proposed savings	6,044	5,300	0	11,344
Residual gap	0	6,436	6,357	12,793

Financial sustainability

Financial position (continued)

The Council presented its third quarterly monitoring report to Cabinet (for the 9 months to December 21). This included an update to the projected reserves position (see projected earmarked reserves table on the previous page) and progress with delivery of agreed savings. The savings update identified that £3.669m (27.3%) of the £13.44m savings for 2021/22 are potentially at risk or may not be delivered in the year due to delays in their implementation. Management have however identified one off savings of this value (£3.669m) to mitigate the impact on the budget. General fund reserves were reported to be £12.206m based on the reported outturn position of a net budget overspend variation of £0.277m.

The Council acknowledges that it is essential that it continues to identify and implement robust action plans to ensure savings remain on track. Any slippage on savings would create a significant financial risk.   Whilst there are no current plans to use reserves to address the budget gap, this depends on the Council's ability to identify and deliver new savings.

Progress on deliverability of savings is scrutinised at monthly meetings of the corporate management team, whereby risks are RAG rated and mitigating actions taken to minimise the impact on the overall budget position.

The Council continues to face future financial pressures from ongoing Covid-19 expenditure and reductions in income levels together with the demand for social care. The Council has recognised that to achieve local economic recovery from the pandemic, and achieve strategic objectives it will need to identify and deliver cash savings and cost reductions. The Council continually refines its MTFS projections and recognises that mitigating actions need to be taken to minimise the financial risk to the Council this year and in future years from increasing demand, non-delivery of savings and other prevailing budget pressures.

The Council acknowledges it will require ongoing strategic prioritisation, improvement and service transformation to balance its budget over the longer term.

Overall, whilst the Council continues to face significant financial pressures we consider the financial management arrangements are sound. The Council acknowledges that it is essential that it continues to identify and implement robust action plans to ensure savings remain on track. It will need to ensure it is clear on service prioritisation, areas of improvement focus and develop longer term transformational plans to ensure a balanced budget and delivery of financial stability in the future.

Summary

Overall, we found no evidence of any significant weaknesses in the Council's arrangements for ensuring the Council can continue to deliver financially sustainable services.

The Council acknowledge that it is critical to closely monitor the delivery of its savings and cost reduction plans as part of the achievement of its Medium Term Financial Strategy (MTFS) and strategic objectives.

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 effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Risk management

The Council reviewed its risk management arrangements during 2020/21 and approved a new Risk and Opportunity Management Policy and Strategy. The revised Policy sets out the Council's approach to managing risk and opportunity to improve services, using its resources efficiently and delivering value for money. The Council maintains a strategic risk register and other risk registers for directorates, projects, and partnerships. Risk profiling is used to identify, analyse and control risk by considering what could affect the Council's success. Risks are assessed according to the likelihood of the risk occurring and the potential impact if it did materialise. A 5 x 5 scoring mechanism for probability and impact is applied. For each risk identified, a risk register template is completed which describes the risk, the risk owner, the current controls, the residual score, and the actions required to achieve the target score.

The Council held a series of risk workshops with directorate management teams to review and profile strategic and directorate risks. Internal Audit (IA) will have a key role in providing assurance on the effectiveness of the risk management arrangements with strategic and directorate risk registers now included on the audit and risk management database (Pentana).

There is regular reporting and review of risk registers by departmental management, a newly established Governance Group, the corporate leadership team (CLT) and the Audit and Governance (A&G) Committee. Risk and opportunity management is an ongoing process and registers are updated to reflect changes. A review of the Strategic Risk Register by CLT was reported to the July and also November Audit and Governance Committee. At November the Council reported 15 Strategic Risks, with updates on how these are being managed, risk scores, direction of travel and ownership.

The Council recognise that risk management is a live process and has set out further work to ensure the new policy is embedded across the Council.

Internal Audit

Internal Audit report regularly to A&G Committee throughout the year.

The Internal Audit Plan needed to be revised during 2020/21 due to the impact of a global pandemic with two senior IA staff deployed to Covid-19 assurance work and other shifts in service priorities. Internal Audit reported changes to the planned work to A&G to focus on areas of strategic risk, corporate priorities and sufficient assurance for the annual opinion. The Internal Audit Assurance Report 2020-21 reported 35 completed final reports and a further 11 reports issued in draft. This focussed work together with other sources of assurance was considered sufficient to be able to provide the Head of Internal Opinion, which concluded that there was overall substantial assurance, i.e. that that there is a good system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently.

The 2021/22 Audit and Assurance Plan maps all planned assignments to Council priorities and risks to ensure assurance work is focused on risks and priorities. The Plan is reviewed quarterly and is flexed to reflect any changes in risks and priorities throughout the year.

Compliance with Public Sector Internal Audit Standards (PSIAS) are reviewed annually and reported in the Annual IA and Assurance report. Areas for improvement are documented and timescales set for achievement. The last independent assessment was in February 2018 and all but one recommended actions were completed by the target 30th April 2019. The outstanding action is to introduce more data analytical techniques into the internal audit work. This is recognised as an area that is still to be addressed in 2021-22.

Governance

Of the six IA key performance indicators (KPIs) agreed for monitoring IA delivery there was notable slippage in performance during 2020-21 with 2 out of 6 achieved. This was reported to A&G in June 21 with improvement actions identified. This was largely due to the impact of Covid and changed priorities for delivery and reporting.

The KPIs missed were:

KPI	Target 20/21 (%)	Actual 20/21 (%)	Actual 19/20 (%)	Comment
The % of draft internal audit reports sent to the Audit Managers within 10 working days of the completion of field work	90	74	94	Reduction in resources and staff deployment
The % of draft reports issued within five working days of approval	100	94	99	As above
The % of draft reports finalised within 20 working days of issue of the draft	75	61	63	Pressures of Pandemic affected speed of respond to audit reports
The % of audits completed within allocated days	75	32	67	Audit Manager has introduced daily briefings to monitor progress

Improvement recommendation

The Head of IA should continue to monitor and take action on key assurance areas and delivery against redefined KPIs for 2021-22.

Budget setting process

The Council's budget is developed in a number of stages with senior officers refining assumptions and funding stream estimates, examining the budget gap and developing savings proposals throughout the process. Overview and Scrutiny provide further challenge before the budget report is taken to Council for final approval. The budget setting process also includes external engagement on decisions with service priorities.

Budgetary control

There is robust system of budgetary control with regular departmental budget monitoring and monthly outturn forecasting based on known commitments and pressures.

Budgetary control (continued

Monthly forecast outturn reports for each directorate are scrutinised by the Executive Director and Director of Finance and also Cabinet are presented with Financial Monitoring Reports 3 times a year. The Financial Monitoring Reports provide an update on the forecast budget outturn with detailed commentary for each portfolio (relating to different services and functions of the Council). This includes progress in delivering portfolio budget savings and the forecast budget position, highlighting significant variances against budget and actions. The reports also provide Cabinet with details on the capital programme, updated reserves and balances forecasts and other financial monitoring matters of significance.

This level of scrutiny and the Council's track record in delivering savings to achieve a balanced budget provides assurance on the strength of the arrangements in place.

The Council has an Organisational Design and Development Strategy (2021-23) which supports the overall Borough Strategy and sits alongside other key related strategies (including the MTFS) that will contribute to the delivery of Council outcomes. The Council aims to develop a strategic approach to organisational design and development so the Council has a workforce with the right skills and capabilities to deliver its services.

Treasury management and financial statements

The Council adheres to the CIPFA Code of Practice on Treasury management and maintains Treasury management policies and practices to manage treasury risks. The A&G committee scrutinises the annual Treasury management statement and considers interim and outturn reports which document the overall position and also provide updates on the Annual Investment Strategy, and current investment and borrowing portfolios. The Council follows fundamental security, liquidity and risk principles prioritising the security of funds. It reviews counterparty criteria and benchmarks investment returns.

We did not note any significant areas of risk in borrowing or investment activity during our final accounts audit 2020-21.

The Council has an experienced finance team in place who provided good quality financial statements and supporting working papers which required minimal amendment.

Leadership and committee effectiveness

The Council made significant changes to its senior management structure in recent years, starting with the appointment of a new Chief Executive in December 2019 and then a three phased organisational restructure.

Governance

Leadership and committee effectiveness

The new Executive Leadership Team is set out in the following table, many of whom were appointed within the last 18 months.

Feedback from the recent LGA Corporate Peer Challenge – Review (September 2021) commented that this new senior officer leadership team are seen as highly capable with senior officer capacity being utilised to effect, with a sense of 'distributed leadership'. The report also commented on wider and more open information sharing with members and improvement in the clarity, transparency and consistency of political and managerial decision making (using the example of decisions having more consistent links to the MTFS). The report commented on an improved understanding of roles and responsibilities for members and officers in policy and strategy development.

The Council operate a Leader and Cabinet Model and has a number of regulatory committees and dedicated Overview and Scrutiny Commission to hold the Cabinet to account. The Council's Constitution outlines the decision making structures and accountability arrangements which governs the work of the committees. It is subject to regular update with some areas revised and taken to Council in November 2021.

Maintaining standards

The Council's Constitution contains detailed procedure rules (in part 4) setting out the budget and policy framework, financial and contract procedures rules. Part 5 of the constitution includes Codes and protocols including an employee Code of Conduct and recently revised (July 2021) Code of Conduct for members adapted from the LGA Model Councillor Code of Conduct 2020 published January 2021.

The LGA Peer Review noted the improvements in member relationships since its previous review with cabinet members now having a positive, honest and collaborative working relationship with senior officers.

The Council's Annual Governance Statement 2020/21 sets out the key governance processes in operation throughout the Council. The Council updated its Anti-Fraud and Whistleblowing policies during the year to ensure they reflect best practice and the Council has an Information Management Framework setting out overarching policies and governance of the Council's management of information and information systems. Data protection training is mandatory with refreshed training to be rolled out during 2021/22.

The Council has documented policies and procedures for declaring all gifts and hospitality which is subject to regular review, made available to all members and relevant staff and meets legislative requirements. An internal audit of the register of gifts and hospitality during 2020-21 gave a substantial level of assurance that this was complied with by both members and officers.

The Audit and Governance (A&G) Committee has a key role as the body charged with governance and its Terms of Reference set out the requirement to gain and monitor the necessary assurances in respect of the Council's control, governance, financial management and reporting framework. The Council has revised the membership of the Committee during 2020-21 by appointing a new Chair (in January 2021) and ensuring Cabinet members are no longer included. The Committee has not completed a self assessment of its effectiveness for some time due to the membership changes. It recognises there may be skills gaps and seeks to address gaps by training to develop core skills and the knowledge base of its members.

The membership of the A&G committee is made up of elected representatives and chaired by a member of the ruling labour group. The independent Redmond Review (September 2020) into the oversight of local audit raised concerns about the partisan nature of some audit committees. The report recommended all local government audit committees include at least one suitably qualified independent member. The Council went to advert for an independent member in December 2020 but without success.

Improvement recommendations

A key feature of effective governance is a robust, impartial audit committee that provides challenge to both management and the auditors. The Council should aim to appoint an independent member to the Committee in line with the recommendation within the Redmond Review. This will require considering how to improve the method and scope for advertising the position to help generate more interest in the post.

The Council should ensure as part of changes to the A&G membership it evaluates the relevant skill set it requires to ensure the committee is effective. Any gaps should then be addressed with formal training plans throughout the year.

The Council should ensure it builds in a committee self-assessment review during 2021-22 to feed into plans to improve overall effectiveness.

Summary

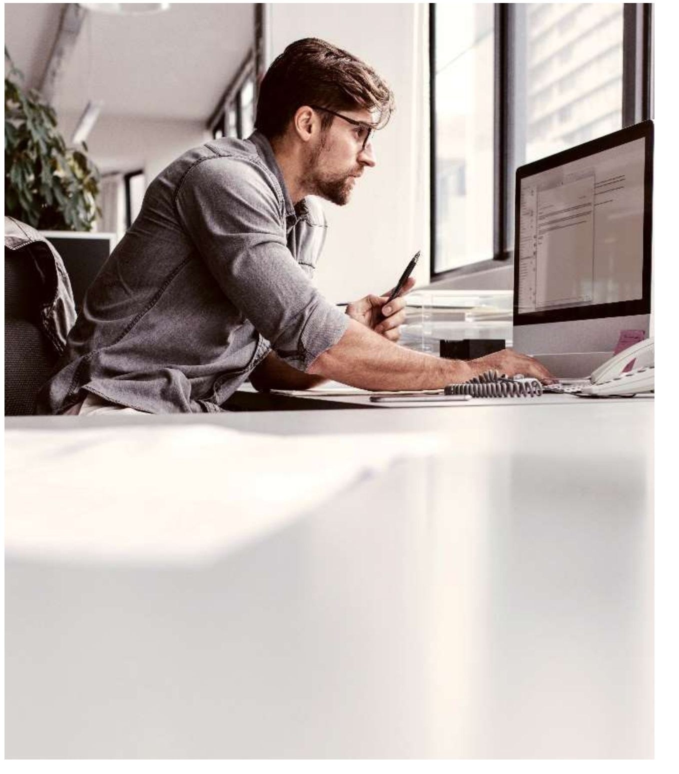
Overall, we found no evidence of any significant weaknesses in the Council's arrangements for ensuring it makes appropriate decisions in the right way. We have made improvement recommendations on:

- The delivery of Internal Audit key performance indicators
- Appointing a suitably qualified independent member to the A&G committee
- Set up a committee self assessment review during 2021-22

Improvement recommendations

Governance

Recommendation	The Head of Internal Audit should monitor and take action on key assurance areas and IA delivery against redefined performance indicators.
Why/impact	The work performed by Internal Audit is a key source of assurance for the Council. Prompt audit reporting and timely action on areas of weakness will help ensure the Council minimise the risk of governance failings.
Auditor judgement	IA provided a responsive service during the pandemic with a reduction in resources and staff deployment affecting the timeliness of completing draft reports. IA have recognised that this is an area for development and has set new indicators for 2021/22 to reflect that.
Summary findings	Of the 6 IA key performance indicators agreed for monitoring IA delivery there was notable slippage in performance during 2020-21 with only 2 out of 6 achieved. This was reported to A&G in June 21 with improvement actions identified. This was largely due to the impact of Covid and changed priorities for delivery and reporting.
Management comment	The performance indicators were revised for 2021/22. Performance was reported to DMT, CLT and then the A&G Committee via the IA quarterly progress report. All reports are available online. In addition, we have added a further PI for 2022/23 which measures the number of follow-up audits that demonstrate an upgraded assurance level as a result of management's implementing of agreed audit recommendations. This will further demonstrate the impact the audit work has on risk management and the control environment.

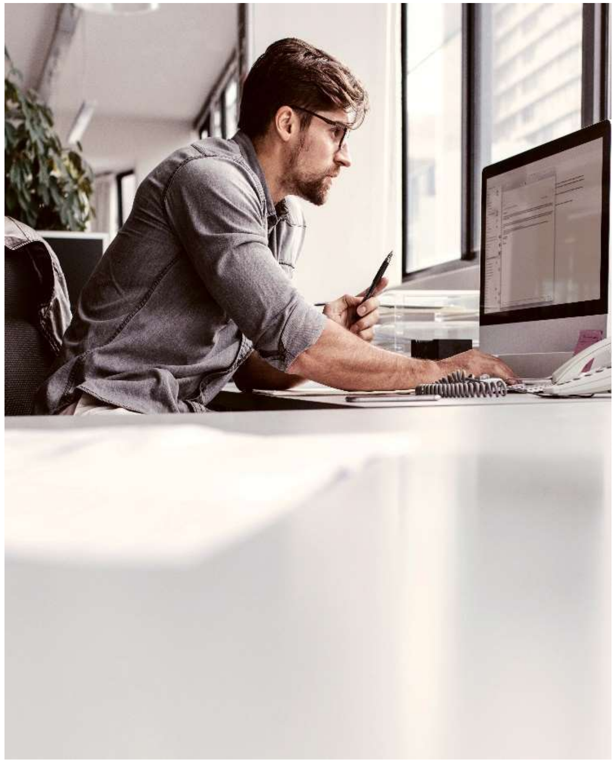


The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

Recommendation	The Council should follow the recommendation within the Redmond Review and revisit its commitment to appointing at least one suitably qualified independent member on the A&G committee with a second recruitment exercise.
Why/impact	A key feature of effective governance is a robust, impartial audit committee that provides challenge to both management and the auditors.
Auditor judgement	The Council is facing a huge transformational agenda and in common with other public bodies is facing significant financial challenges as it emerge from the COVID-19 pandemic. The need for robust due diligence and clear understanding of financial risks and sustainability is key to ensuring its resources effectively. An independent audit committee is key to good corporate governance and appointing the right members to a council's audit committee allows for informed, effective oversight. It is therefore critical that members have the appropriate balance of experience and skills to provide effective scrutiny and challenge.
Summary findings	The Audit and Governance (A&G) Committee has a key role as the body charged with governance. The membership of the A&G committee is made up of elected representatives and chaired by a member of the ruling labour group. An independent member on the Committee would support strong corporate governance.
Management comment	Whilst there is no statutory requirement on local authorities in England to appoint an Independent Person to its Audit Committee, the Council had already agreed at its meeting on 30 September 2020 to amend the membership to include one. The Audit & Governance Committee approved a role description and recruitment process at its meeting on 23 November 2020. The recruitment was not successful due to a lack of suitable applications. A second recruitment exercise will be undertaken at an appropriate time in 2022/23.

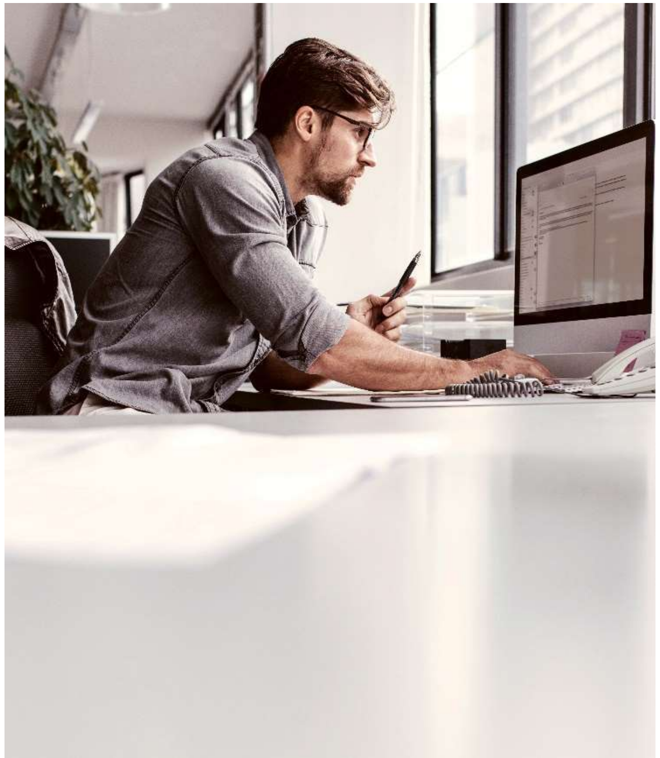


The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

Recommendation	The Council should build in a self-assessment review during 2021-22 to feed into plans to improve the overall effectiveness of it's A&G committee. This should include an evaluation of the skills it requires from members.
Why/impact	A committee self assessment is a useful way of identifying and putting in place improved procedures to ensure the committee maximises its effectiveness. A key feature of effective governance is a robust audit committee with a good balance of skills that provides challenge to both management and the auditors.
Auditor judgement	Regular self assessment will help ensure the committee implements better procedures in a wide range of areas. This could include preparation of the meeting and agenda papers to the method and style of presentations and discussions. Self-assessment can also help Committee members develop a better and shared understanding of the Committee's purpose and role in the overall governance and control structure.
Summary findings	The Audit and Governance (A&G) Committee has a key role as the body charged with governance. The Council has not conducted a self assessment review of the effectiveness of the Committee in recent times due to the changed membership structure. It would now be appropriate as part of embedding new membership roles to complete a self assessment so the Committee can maximise its learning and effectiveness.
Management comment	This can be included on the Committee work programme for 22/23. A self-assessment review has not been undertaken recently because the focus has been supporting the new committee membership since it changed in November 2020 to develop their core skills and knowledge base. New Terms of Reference for the Committee were adopted by Council in September 2020 (in line with the CIPFA Guidance/position statement). The new Chair commenced in January 2021. In view of this, it would have been premature to undertake a committee self-assessment in 21/22.



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

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, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

LGA Corporate Peer Challenge (CPC)

The Council has demonstrated it is open to challenge and learning from other organisations. Following a Corporate Peer Review in 2019, the Council has undertaken considerable work to address the issues raised in the original feedback. The recent follow up LGA Corporate Peer Challenge – Review (September 2021) stated the Council is now in a far stronger position and has made a number of significant improvements to help ensure it is successful going forward. The report commented that the pace of activity and organisational improvement has been impressive but there is a need to focus on continued improvement (to meet the Council's ambitious transformation programme).

Borough Strategy 2021-30

The Council's Borough Strategy 2021-30 (March 21) sets out a refreshed ambition and direction for St. Helens and is underpinned by six strategic priorities on which to focus in collaboration with its partners and the community. The LGA Peer Challenge feedback commented that this Strategy, as one of 25 plans and strategies developed and approved over the previous 12 months, represents a purposeful effort to fill the 'strategic deficit' that was identified in the previous CPC. The six clear priorities in place are to; *ensure children and young people have a positive start in life, promote good health, independence and care across communities, create safe and strong communities and neighbourhoods for all, support a strong, thriving, inclusive and well connected local economy, create green and vibrant places that reflect our culture and heritage and be a responsible council.* The Council's next task is the embed and deliver the outcomes it is striving to achieve.

Performance and performance monitoring

The Council has established a revised performance management framework following feedback from the Local Government Association (LGA) Corporate Peer Challenge in 2019. The Council's new approach to performance and financial reporting was launched in 2021 to provide members and officers with better information for decision making and performance monitoring.

The Council has developed a suite of performance indicators which link to the priorities within the Borough Strategy 2021-30 with quarterly performance reporting to Cabinet throughout the year. There are sound arrangements in place for challenging performance and taking action through internal performance clinics, including deep dives, led by the Senior Management Team and further review by the Overview and Scrutiny Commission. The Council has a performance data quality policy and protocols in place to promote strong data quality with clear responsibilities.

The performance scorecards now include comparisons to statistical neighbours and the direction of travel. Any areas of underperformance require actions for improvement. The LGA CPC follow up report in September 2021 commented on the improvements made and that the comparisons help to more robustly support a 'no surprises' approach without being wholly reliant on performance against a pre-defined target. Specifically the LGA noted that performance information is now being used increasingly to support more informed corporate decision making and challenge.

Integrated reporting is a key component of good governance. The International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) emphasises "the need for integration in both reporting and organisational performance and makes explicit reference to Integrated reporting. Although the quarterly financial monitoring reports give commentary on individual

Improving economy, efficiency and effectiveness

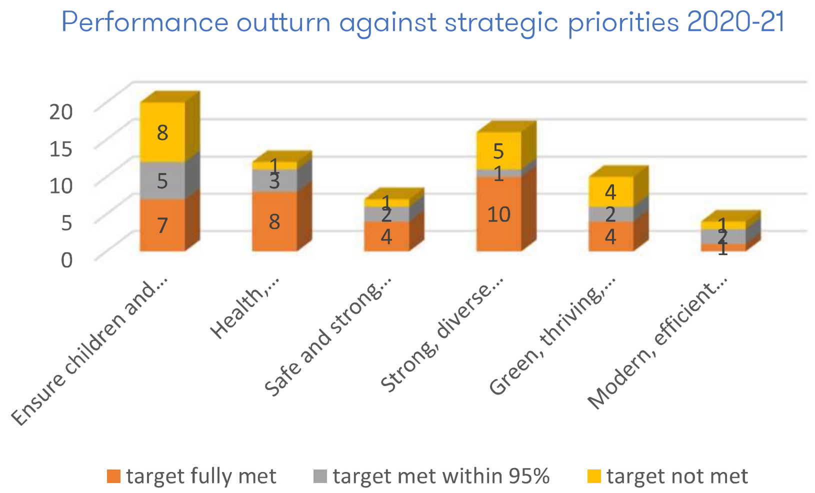
portfolio positions and specific budget pressures there is a lack of direct link to the service performance reports.

Improvement recommendation

We recommend the Council look at clearer integration of financial performance reporting with service delivery reporting. One way to achieve this could be to require performance reports to have a financial input from portfolio holders as part of quarterly reporting.

The Council's Performance Outturn report for 2020-2021 outlines areas of strong performance together with areas where the Council is not yet meeting its targets. The report shows that 71% (49 out of 69) of the performance indicator targets were either exceeded, met fully, or met within 95% of target with over half of all indicators improving in 2020/21 (see chart below).

The inter-authority comparisons (many relating to 2019/20) showed that about a third of all indicators with comparable data are in the top quartile, whilst 40% (17 out of 42) are in the bottom quartile. The position reflects some of St Helens ongoing challenges, mainly relating to public health within the borough and Children's Services. Of the 17 lower quartile indicators there are 11 against priority 1 (ensuring children and young people have a positive start). The outturn report sets out the detailed position for each indicator and the action the Council is taking against those requiring improvement.



Partnership working

The Council recognises that to deliver the strategic priorities set out in the Borough Strategy 2021-30 it needs to work together with its partners and community. Increasing demand for services together with growing financial pressures have led to more collaborative partnership working and integrated models of service delivery.

The Council has a number of partnerships in place to bring together public services, businesses, and the voluntary and community sector to join forces to regenerate the borough, create safer communities, improve health and wellbeing and deliver better outcomes for children, young people and adults. St Helens Together was created as a partnership with a range of voluntary organisations as a support response to the Covid-19 pandemic and the integration of health and care services also provided a coordinated approach. The Council continues to progress its health and care improvement through the development of the new Integrated Care Partnership structure and through the St Helens locality working model which aims to improve the targeting and delivery of services across localities and create future efficiencies.

The Council also has ambitious plans to regenerate St Helens Town centre and ensure continued development across the borough. In March 2020, it secured a 20 year partnership with the English Cities Fund and has agreed terms for a programme of regeneration. This was followed by a Local Plan to shape the development and growth of the Borough (October 2020) and a Land and Property Acquisition Strategy to accelerate its delivery. The Medium-Term Financial Strategy is also complemented by a new Commercial Strategy, approved in March 2021, which aims to optimise the financial and non-financial return on investment and deliver a broad range of projects in line with Council priorities.

The Council has recently drawn up a new Partnership Governance Framework, approved at the Audit and Governance Committee in November 2021. The purpose of the Framework is to provide improved clarity on the Council's significant partnerships, their purpose, how they are governed and how it gets assurance over their effectiveness.

Improving economy, efficiency and effectiveness

Procurement

The Council has a number of key policies and procedures in place to manage the procurement process, including Financial Instructions, Financial Procedure Rules and Contract Procedure Rules. The Council also has a Procurement Strategy 2019 – 2022 which sets out the key principles for effective procurement. The Contract Procedure Rules within the constitution were revised and approved by Council in November 2021 to align these to procurement processes, from pre-procurement through to contract management.

The financial monitoring reports presented during the year to Cabinet and Council include capital reporting which updates Members on schemes progress and slippage. There is ongoing monitoring by finance staff and project leads with any significant matters raised at the monthly meetings with the Executive Director and Director of Finance.

Estates management

In response to governance issues reported at Liverpool City Council (LCC) in March 2021, the Liverpool City Region Heads of Audit developed a self-assessment listing the key governance issues identified in the LCC Best Value Inspection Report. The governance areas were categorised into 6 themes; Culture, Governance, Legal, Company Oversight, Procurement and Property Disposals. The overall opinion gave substantial assurance that the majority of expected controls are in place but there is some inconsistency in their application. However, the Council had significant concerns on the sixth theme which covered the governance and controls in place for land and property disposals. As a result, the Council commissioned a further CIPFA review of property services and Internal Audit completed an estates management review on some further scoped areas.

The CIPFA review provided an overview of the Council's organisation and performance in relation to the planning, coordination and management of its land and building assets. The draft presentation (October 2021) set out a number of key recommendations and issues that the Council needed to address. Those red rated ones (higher importance and impact) within the area of estates management and data included:

- A lack of case work management system leading to reactive and inefficient work
- An under resourced estates team
- No proactive performance measurement of the estate and out of date property records
- An out of date property management system, with limited reporting functionality

The report also included recommendations and issues on project management, design and construction, facilities management and procurement. Those with more significant red rated issues included:

- a lack of coordinated delivery of capital construction projects
- no single team approach to the resource and structure of the team, poor team communications and lack of service performance measures requiring organisational review.

Following the CIPFA feedback Internal Audit issued their final report on estates management in January 2022. This raised serious concerns with the overall governance arrangements in place resulting in minimal assurance (a significant number of expected controls are not in place or there are significant weaknesses in the control system that may put the service or system's business objectives at risk).

Improving economy, efficiency and effectiveness

Estates management (continued)

The final report resulted in 17 high priority and 7 medium priority recommendations. Included within key areas for development were:

- a lack of supervision and appraisals for staff in the estates team, leading to issues with caseloads and staff well being
- insufficient staffing
- no up to date terms of reference for the Strategic Asset Group and a lack of strategic direction of the service
- a lack of service-specific procedures, which leads to inconsistency in how land and property disposals are managed.
- some asset files could not be located, or key documentation was missing.
- no analysis of the method of disposal to be used could be identified.
- in most cases, insufficient information was provided to authorising officers in order for them to make informed decisions around the disposal of land or property.

The report also included other key development areas and the findings suggest serious failings in ensuring best value on disposals and good governance arrangements are in place.

The Council have subsequently recognised the work required to recover the service and tackle the numerous issues identified in the report. It has appointed a Property Service Transformation Programme Manager to manage the Property Transformation programme. It has set out a governance framework with the Executive Director of Place as the Senior Responsible Officer, and the Director of Strategic Growth as Programme Director. The programme will report through to the Councils Change Board.

Internal audit are also conducting further investigation work on land and property disposals which is almost due for completion. We have been advised that the findings to date show no evidence of fraud, bribery or corruption.

Key recommendation

The Council need to urgently progress improvements in estates management to reduce the risk of lost income or fraud arising from inappropriate and potentially undervalued property disposals.

In addition, Internal Audit should complete its ongoing investigation into historic land and property disposals promptly to establish whether the weaknesses in arrangements have allowed fraud to occur. The Council should ensure there was sufficient scope from the work undertaken in this area.

Any further weaknesses arising from this investigation should be built into the improvement plan for the service.

Improving economy, efficiency and effectiveness

Ofsted Inspection of Children's Social Care Services

Following the 2019 Ofsted inspection and 2020 monitoring visit, the Council has continued to work on areas of improvement focus agreed with the Secretary of State for Education. The Council is subject to ongoing review from the Department for Education (DfE) intervention unit and regular monitoring by Ofsted.

During 2020-21, the Council have made significant additional investment into the Children's Services budget (£15m) which has increased social worker capacity. It has developed a Placement Sufficiency Strategy to help improve the effectiveness of planning for children in care and the availability of high-quality care placements to meet their needs.

The Children's Improvement Board and Scrutiny Committee provide regular monitoring and oversight on progress against the Improvement Plan implemented in response to the Ofsted findings. Internal Audit completed a review of the adequacy of governance arrangements in place in relation to the monitoring and reporting on the Improvement Plan and gave a high level of assurance.

DfE's 6 monthly feedback report on progress (January 2021) confirmed that Children's Services have responded extremely well to the challenges faced in dealing with the pandemic. The report included positive progress in areas including:

- a strong response to Covid-19 and putting into practice innovative ideas to adapt to the challenging situation
- first-class support to schools and face to face contact maintained with vulnerable children and young people
- strong political and corporate leadership and commitment to put children and young people at the forefront of everything the Council is doing.

The DfE report noted the Council had refined its Children's Improvement Plan during 2021 which provided an effective focus for driving and monitoring service improvement and delivering better outcomes for children and young people. Improvement was noted in service delivery, practice, and performance, highlighting the ongoing drive and commitment to improve services for local children, young people, and families.

DfE highlighted some areas which required further improvement including; further reducing the numbers of children in care, the numbers of children in need, the high re-referral rates, and the high rate of S47 (safety and welfare) investigations. It was noted that St Helens remains as a lower quartile performer for re-referral rates and children cared for numbers compared to statistical neighbours.

Monitoring by Ofsted continued in 2020-21 with a focused restart visit in May 2021 to examine social work practice during the period of the pandemic. The visit covered the children's services (ILACS) framework and also included performance management, quality assurance information and children's case records. The inspectors acknowledged the changes made by the Council how staff had responded and adapted well. There was also recognition of the partnership work between schools, education, health and social care and the work being done to protect vulnerable children and young people.

The visit confirmed some areas of improvement required in social work practice. These were:

- the quality of decision-making to progress plans for children within the pre-proceedings element of the Public Law Outline, and the management oversight of this
- the quality and effectiveness of the case audit activity to inform leaders of the impact of social work interventions on children's progress and lived experience.
- the balance of social workers' workloads and the prioritisation of tasks by social workers and managers to avoid any unnecessary drift and delay for children in need of support, help and protection.

Subsequently Ofsted conducted a monitoring visit in November 2021 at which they reviewed progress on areas of concern identified for children in need and children subject to a child protection plan. The headline findings concluded that the quality of most services for children in need and those in need of protection had not improved since the focused visit in May 2021. They commented that the renewed quality assurance framework had not improved leaders understanding of children's circumstances or developments in the quality of social work as anticipated by leaders.

Factors contributing to the lack of progress included challenges in the stability of the workforce, ineffective management oversight and the recently introduced new recording process for the social work practice model. Ofsted found a lack of timely progress and work completed to address the needs of too many children.

Improving economy, efficiency and effectiveness

Ofsted Inspection of Children's Social Care Services (continued)

The Director of Children's Services is examining the detailed work required to address the areas of concern raised in the latest monitoring report. The Council has recently established a dedicated project team led by an external ex Ofsted Director to provide focus on key improvements and a diagnostic on the current position.

This is being followed up with a revised Improvement Plan which will be subject to revised improvement monitoring and scrutiny.

Key recommendation

The Council has continued with its improvement journey in Children's Services during 2020-21. It made a clear commitment to improvement by additional investment in the service and through establishing clear reporting and monitoring of progress against its Improvement Plan. The LGA Corporate Peer Challenge – Review (September 2021) reported that members now feel well informed about the progress being made in Children's Services. However, the service faces considerable ongoing challenge as reflected in the recent Ofsted revisit in November 2021 and has a number of areas of concern which remain unresolved.

Based on our review of arrangements in place and the findings from the Department for Education and the latest Ofsted monitoring visits, we believe that further improvement is still required to improve outcomes in Children's Services. The Council need to continue to prioritise against recommendations made.

We recommend the Council continue to prioritise service improvements in line with the DfE and Ofsted findings within its revised Improvement Plan.

Overall summary

Overall, we found areas of significant weaknesses in the Council's arrangements for the way the body delivers its services. These are in estates management (pages 19-20) and Children's services (Ofsted pages 21-22). We have made key recommendations in these areas as set out on pages 5 and 6. We have also raised an improvement recommendation regarding the integration of financial and non-financial performance reporting at a service level.

Improving economy, efficiency and effectiveness

Waste management summary

Across the four Merseyside councils we audit, the average recycling rate is 13.53% below the national average (in 2020-21 FY) of 43.1%. Significant improvements are required to ensure a trajectory that can match incoming legislation, which will mandate a target to recycle 65% of municipal waste by 2035.

As seen across the country, the Covid pandemic has led to increased waste volumes which has inevitably led to increased costs across all Merseyside councils for the provision of waste services. Costs are likely to continue to increase in the future as both the regulatory environment tightens requirements and broader inflationary pressures impact.

Tackling this dual challenge will require effective partnership working between collection authorities and the disposal authority. Yet our review identified weaknesses with the partnership governance arrangements that were in place during 2020-21. It is clear that some issues have persisted for a significant period of time, given that a Local Partnerships report identified similar issues in 2016. However, since the year ended, there have been a number of positive developments. A new Terms of Reference for a Liverpool City Region Strategic Waste Management Partnership was agreed in June 2021 and a revision to the Terms of Reference in January 2022 formally introduced Mersey Waste Disposal Authority into the strategic partnership – this is a welcome initiative and will help to address a number of the reporting and governance concerns which we established during the fieldwork for this assignment.

We note that, driven by the expectation of greater regulation and the wider move to Net Zero commitments by 2050, coordination has recently increased across key organisations in the region. The awareness of challenges pertaining to governance of the levy mechanism are now widely accepted. The challenge is to utilise improvements in coordination to drive through the necessary changes in a timely manner.

Taking into account the recent developments, we have identified three recommendations that will help to further improve the degree of coordination and quality of waste management services across the region. Realising these actions would deliver a fit for purpose governance model which can aide the clear communication to political leadership of the long term benefits to the citizens of the region of these changes.

** Please note the management responses to the recommendations set out on pages 30 to 32 are provided by the Chief Executive of Merseyside Recycling and Waste Authority and the joint lead of the Merseyside Strategic Waste Management Partnership Board.

Improving economy, efficiency and effectiveness

Local Partnerships' Strategic Review of Waste Management (2016)

In 2016, Local Partnerships[1] were commissioned to perform a Strategic Review of Waste Management across the Liverpool City Region. Key findings of this report were that:

- MWDA run an efficient waste disposal service (limited savings potential)
- Significant economies could be gained from 'joining up' the entire waste management system

In particular, there was a recommendation to consider the formation of a **Joint Waste Authority**, which would become part of the Liverpool City Region Combined Authority using a governance model similar to that already in place for Mersey Travel. Implementation of common collection practices and policies is noted at the first step for future innovation, including asset sharing and optimisation of vehicle rounds.

We note that the Liverpool City Region Strategic Waste Management Partnership (see later) Terms of Reference contain a commitment to review the recommendations contained in this report.

The Merseyside Councils and MWDA should work closely to review the recommendations of the Local Partnerships' Strategic Review of Waste Management (2016).

Recycling Rates across the Region

The table opposite describes the recycling rates across the Liverpool City Region, taken from *WasteDataFlow*.

It can be seen that across the four councils in scope, the average recycling rate is 13.53% below the national average (in 2020-21 FY).

We understand that the MWDA runs a region-wide campaign 'Recycle-Right' to drive recycling, which includes education officers, community funds, and behavioural change campaigns.

[1] Local Partnerships LLP is a joint venture between HM Treasury, the Local Government Association and Welsh Government focused on supporting efficiency at the council and combined authority level.

Districts / recycling %	17-18	18-19	19-20	20-21
Sefton	29.00%	35.00%	33.70%	34.80%
Knowsley	24.60%	30.20%	30.70%	28.70%
Wirral	29.70%	32.50%	33.30%	31.90%
Liverpool	18.80%	23.60%	23.60%	23.50%
St Helens	30.70%	35.40%	37.40%	31.40%
Halton	43.50%	32.50%	37.50%	31.50%
Merseyside average	26.60%	31.30%	31.80%	30.10%
Councils in scope average	30.68%	31.00%	32.95%	29.58%
National average	37.50%	42.80%	43.50%	43.10%
Merseyside vs National difference	-10.90%	-11.50%	-11.70%	-13.00%
Councils in scope vs national difference	-6.83%	11.80%	-10.55%	-13.53%

Historically there has been an EU target for the UK to recycle at least 50% of household waste by 2020. More recently, The government's Circular Economy Package (July 2020) includes a target to recycle 65% of municipal waste by 2035. The legalisation to implement this has not been released by Defra.

In addition to the clear benefits of increasing recycling rates, an increase in recycling rates could reduce load on the Energy from Waste facility, permitting the contractor to sell additional capacity which would in turn permit the councils to benefit, via a gain share mechanism, in the increased revenue flowing to the MRWA.

The Councils should consider its recycling rates in line with the national average and in the context of incoming national targets (65% by 2035). They should put in place plans for improving efficiency and effectiveness in this area, working with the MWDA.

Improving economy, efficiency and effectiveness

The Merseyside Waste Disposal Authority (MWDA) is responsible for waste disposal of waste collected by the five unitary authorities within the Ceremonial County of Merseyside:

- 1) Knowsley Metropolitan Borough Council
- 2) Liverpool City Council
- 3) Sefton Council
- 4) St Helens Council
- 5) Wirral Council

It also manages waste disposal via a separately agreed partnership with Halton Council.

Mission Statement and Service Delivery Plan 2020/21

The MWDA's mission statement 2020/21 is : "To ensure that we reduce the impact of our actions on climate change and improve the sustainable management of waste and resources".

The Service Delivery Plan 2020/21 follows the Corporate Plan and is divided into four sections :

1. Improve the sustainable management of waste and resources
2. We will deliver effective waste services
3. Co-operate to improve working arrangements
4. Measure and report on climate change impacts and sustainability improvements

Waste disposal arrangements

Each of the Merseyside Councils deliver their municipal waste to nominated locations at which point the waste becomes the responsibility of the MWDA.

MWDA disposes of waste via two main contracts:

1. Waste management and recycling contract (WMRC) that provides management of the Household Waste Recycling Centres (HWRCs), Materials Recycling Facilities (MRFs) and transfer stations and any subsequent haulage of the waste to treatment or disposal. This contract is with Veolia and expires in 2029; and
2. The disposal of the residual waste is via energy from waste (EfW) and landfill of untreatable wastes. This contract is with Merseyside Energy Recovery Limited (MERL)[1] and expires in 2044.

We understand that tonnages collected by the Merseyside Councils were higher by around 70,000 tonnes as a result of Covid-19 relating to behavioural changes (i.e. commercial waste becoming residential waste). This has meant that the MWDA has reached its maximum capacity within the MERL contact and is now required to find alternative outlets for residual waste, including direct to landfill.

MWDA should work with its board members (including any required consultations with the respective Merseyside Councils) to take decisions as to the long term treatment of rising waste tonnages, which cannot be treated within existing contracts. This includes consideration of the course of action on the impending expiry of the waste management and recycling contract in 2029.

Improving economy, efficiency and effectiveness

Internal Governance

MWDA is a local government body consisting of nine elected Members representing the five Merseyside Councils. The board of nine elected members include three from Liverpool City Council, two from Sefton MBC, two from Wirral Council and one each from Knowsley MBC and St Helens MBC. Halton Council has observer status. Members meet to consider high level matters such as policy, strategy and budget in relation to waste treatment/disposal. However, their decision making ability is limited and many decisions will need to be ratified separately by all five Merseyside Councils.

MWDA is responsible for approving the annual budget and the determination of the levy. Each Merseyside Council nominates its Member(s) to act on the board for varied periods of time. The Member is not necessarily the portfolio holder for waste. Those sitting on the board are not formally required to report back to their council but are authorised to answer questions in relation to waste disposal at council meetings.

It would be beneficial for the Members on the board of the MWDA to include the portfolio holder for waste to ensure that a high quality discussion is enabled during strategic discussions.

It could also be beneficial for these Members to have a formal requirement to report back to Members at their own council meetings on waste disposal matters – ensuring a feedback loop is enabled between councils and the MWDA.

External Governance (interaction with the Merseyside Councils)

Chief Executives Group

The Chief Executives Group is comprised of the Chief Executive from each of the Merseyside Councils. On an ad hoc basis, and when they discuss matters in relation to waste management and disposal, the Chief Executive of MWDA (Carl Beer) is requested to report to this group regarding disposal costs.

Members of the Merseyside Councils

Although there is no formal route for the MWDA to report directly to Members, we understand that, as an exception, the Chief Executive of MWDA was invited to attend a Leaders' meeting on 9 December 2021.

It would be beneficial for there to be a regular and formal briefing of the Chief Executives Group and/or Members by the MWDA on waste disposal matters (including provision of key performance indicators in the form of a regularly tabled dashboard so that trends can be considered).

It would also be useful to provide Members with the performance context alongside the cost of waste management, e.g. KPIs which include benchmarking with national average / targets in relation to recycling rates / cost of waste management.

Improving economy, efficiency and effectiveness

Liverpool City Region Strategic Waste Management Partnership (2021)

The Liverpool City Region Strategic Waste Management Partnership's purpose is to collectively address regional waste management issues and provide a single voice on waste management affairs. Areas of particular consideration include implications of new waste management legislation, housing growth, the environment and climate emergency and the financial pressures on regional waste management.

The partnership agreed Terms of Reference in June 2021, which have been signed up to by the Merseyside Councils plus Halton Borough Council and the MWDA. The partnership will meet quarterly. A revision to the Terms of Reference in January 2022 has introduced the MWDA into the partnership – this is a welcome initiative and will address a number of the reporting and governance concerns which we established during the fieldwork for this assignment (in Nov 2021).

A key area highlighted for "increasingly urgent" action is an update to the current levy mechanism. The Terms of Reference contain a commitment to review the recommendations contained in the Local Partnerships' Strategic Review of Waste Management (2016).

Leaders and Mayors will be provided with quarterly updates from the Liverpool City Region Strategic Waste Management Partnership. In the October 2021 briefing it is noted that there will be a £9m cost increase across the five councils in 2022/23 due to increases in household waste collected as a result of Covid-19 related shifts in behaviour.

The MWDA, Merseyside Councils and Halton Council should continue to work together to review and conclude upon the optimal governance model to ensure transparency and collaboration and to drive economy, efficiency and effectiveness for waste management services.

Memorandum of Understanding

There is a Memorandum of Understanding (MoU) (2014 - 2041) which governs the arrangement between the MWDA and the Merseyside Councils (i.e. excluding Halton Council). This MoU refers to the Joint Recycling and Waste Management Strategy (JRMWS) and commits all partners to review the JRWMS every five years.

Each partner is committed to produce and maintain an action plan which sets out interim targets that when considered collectively seek to achieve the shared JRWMS aims and objectives (e.g. 50% recycling by 2020). These targets should be reviewed in line with statutory national requirements as part of the 5 yearly review. We understand the latest JRWMS was agreed in 2011.

Each partner is committed to providing information to the MWDA in relation to their performance against their own JRWMS action plan, feeding into an annual performance report and letter of assurance to the September MWDA authority meeting.

We understand the MWDA does not receive an annual performance report and letter of assurance from any of the Merseyside Councils in FY 2020/21.

The MWDA should ensure that each Merseyside Council provides an annual performance report and letter of assurance to the September MWDA authority meeting as committed to through the Merseyside Waste Partnership Memorandum of Understanding (2014).

Under the MoU, there is a requirement for the MWDA to report on its own performance to all Merseyside Councils' scrutiny panels (or equivalent). We understand this does not currently take place.

The MWDA should provide a report on its own performance at each of the Merseyside Councils' scrutiny panels (or equivalent), as committed to through the Merseyside Waste Partnership Memorandum of Understanding (2014).

Improving economy, efficiency and effectiveness

Waste disposal levy (1 of 2)

The apportionment of the costs of waste disposal for the Merseyside Councils (not Halton Council) is dictated by a levy mechanism. This mechanism takes the 'per tonne' cost of waste disposal by MWDA for all Merseyside Councils and allocates this to each council based on the tonnage they have delivered. The mechanism does not distinguish between collection of recyclate vs residual tonnage and therefore does not incentivise recycling. The levy also includes calculations based on other variables – covered briefly below.

To incentivise recycling amongst the Merseyside Councils, the levy could be updated to distinguish between collection of recyclate vs residual tonnage.

We recognise that changes to the mechanism will be challenging, given governance arrangements covered earlier in this report. We suggest an approach that, based on our experience of other multiple council contracts provides the correct balance of incentive and complexity:

The payment mechanism under the MERL includes three bands for residual waste disposal:

- Band 1 - £91.81/tonne
- Band 2 - £5.00/tonne
- Band 3 - £70.00/tonne

The above structure provides an incentive for waste levels not to reach Band 3. Despite this, the current structure does not make an individual Merseyside Council accountable for tonnage that leads to a move between bands (and most significantly between Band 2 and Band 3) as banding is based on the aggregate tonnage from *all* Merseyside Councils.

To incentivise reduction in residual waste tonnages amongst the Merseyside Councils, the levy could be updated to make individual Councils accountable for delivering their proportion of the volume of residual waste (e.g. on a pro rata basis).

These proportions should be based not on the annual forecasts, rather on the Councils agreement at the inception of the contract (ie the original forecast that determined the bandings agreed in the payment mechanism).

Hence, following this change, banding is thus enforced per council by the MWDA and any excess payments from that council (due to their proportion of tonnage leading to a move between bands) are paid into a separated account administered by MWDA. Only if, in aggregate across all Councils, bandings are breeched would a payment be made to the contractor (as per terms of the contract).

At the end of a period, cash within the excess payment account can be shared in a pre-determined manner by the partnership (examples we have seen include excess cash returned to the Council that suffered or used for wider benefits of the partnership eg educational schemes, capital improvements). This approach is less administratively cumbersome than alternatives and the decision and utilisation of the cash does not necessarily need to be taken annually.

Such a change to the levy does ensure that each Council has a direct financial incentive to minimise their residual waste (a key objective of the change to the levy) and minimises perverse incentives (such as knowledge that other Councils in the partnership are performing well and their improved relative performance can be utilised to offset the offending Council's costs).

Improving economy, efficiency and effectiveness

Waste disposal levy (2 of 2)

In addition, the levy includes a **population based charge**, which allocates other costs (e.g. HWRCs, closed landfill sites, admin) across the Merseyside Councils based on their population.

The levy also **includes recycling credits**, however, this has been referred to as a 'circular cashflow' as Merseyside Councils receive the recycling credits income from the MWDA but they then pay for it via the levy (i.e. zero net impact).

There is a **two year lag** between the levy payment (based on forecast tonnage) and an actual tonnage reconciliation. The increased cost of disposal via the MERL contract due to higher municipal residual waste tonnages due to Covid has been managed using MWDA's reserves. The Merseyside Councils will see the impact of this cost in the future.

Although the levy charge is managed by the MWDA, it does not have authority to make amendments to the levy mechanism.

Following consideration of the levy mechanism, the Council should work closely with all Merseyside Councils in order to collectively ratify any proposed amendments.

We note that the MWDA has prepared a board report in 2021, which provides information on the levy mechanism and how charges to councils may be different if waste is recognised as having differential values and costs.

Alternative charging methods are proposed:

1. Residual Tonnes Allocation (charge based on residual tonnage only)
2. Good Waste Bad Waste Levy (charge based on residual vs recyclate tonnage)
3. Good Waste Bad Waste & Incentive (charge based on residual vs recyclate tonnage, with weighting to disincentivise residual tonnage)
4. Population only allocation (charge based on population only)

There is also a suggestion of a carbon impact based model to disincentivise carbon intensive activities.

The report notes that for each option there will be 'winners' and 'losers'. The report shows which option is financially optimal for each Merseyside Council (see extract below).

Board members were asked to "instigate discussion at their host authority to see if a new consensus on the Levy can be reached". Note: it was not possible to allocate a financially optimum outcome for the "Good Waste Bad Waste" levy and incentive options as this would depend on the weighting decisions taken within these options, which were not defined in the paper.

Financial optimum outcome for each constituent Council (estimated) 2021-22 figures

	Original Levy 2021/22	Residual Tonnes Allocation	Good Waste Bad Waste Levy	Good Waste Bad Waste & Incentive	Population only allocation
Knowsley					X
Liverpool					X
St Helens	X				
Sefton		X			
Wirral		X			

Improvement recommendation

Improving partnership governance arrangements for waste services

Recommendation	To further improve the partnership governance arrangements in place across the Merseyside region for waste, it is recommended that: 1. The Merseyside Councils and MWDA should work closely to review the recommendations of the Local Partnerships' Strategic Review of Waste Management (2016). 2. The MWDA, Merseyside Councils and Halton Council should continue to work together to review and conclude upon the optimal governance model to ensure transparency and collaboration and to drive economy, efficiency and effectiveness for waste management services. 3. The Members on the Board of the MWDA include the portfolio holder for waste to ensure that a high quality discussion is enabled during strategic discussions. It could also be beneficial for these Members to have a formal requirement to report back to Members at their own council meetings on waste disposal matters – ensuring a feedback loop is enabled between councils and the MWDA. 4. Following consideration of the levy mechanism, the Council should work closely with all Merseyside Councils in order to collectively ratify any proposed amendments.
Why/impact	Failure to address these improvement recommendations increase the risk that Merseyside authorities are unable to: • achieve incoming legislation, which will mandate a target to recycle 65% of municipal waste by 2035. • achieve best value by effectively managing rising costs of collection and disposal of waste.
Auditor judgement	Partnership governance arrangements for waste services in Merseyside need to be improved to ensure that a coordinated approach across the region is taken to tackle the challenges of low recycling rates and rising costs.
Summary findings	We found weaknesses with the partnership governance arrangements that were in place during 2020-21. It is clear that some issues have persisted for a significant period of time, given that a Local Partnerships report identified similar issues in 2016. However, since the year ended, there have been a number of positive developments.
Management comment	The established Liverpool City region (LCR) strategic waste partnership is developing the region's 'Zero Waste Strategy' and as part of this make recommendations for future regional waste management governance. Clear reporting lines have been created between the region's Leaders and Mayors, Chief Executive's Group, the Strategic Waste Management Partnership and district Portfolio Holders. The Strategic Waste management Partnership are also working closely with the LCR finance director's group to review the waste levy mechanism.

Improvement recommendation

Improving performance management and reporting arrangements in waste services

Recommendation

To improve performance management and reporting arrangements in place across the Merseyside region for waste, it is recommended that:

1. Regular and formal briefings are provided to the Chief Executives Group and/or Members by the MWDA on waste disposal matters (including provision of key performance indicators in the form of a regularly tabled dashboard so that trends can be considered).
2. MWDA should ensure that each Merseyside Council provides an annual performance report and letter of assurance to the September MWDA authority meeting as committed to through the Merseyside Waste Partnership Memorandum of Understanding (2014).
3. The MWDA should provide a report on its own performance at each of the Merseyside Councils' scrutiny panels (or equivalent), as committed to through the Merseyside Waste Partnership Memorandum of Understanding (2014).
4. Members are provided with the performance context alongside the cost of waste management, e.g. KPIs which include benchmarking with national average / targets in relation to recycling rates / cost of waste management.

Why/impact

Failure to address these improvement recommendations increase the risk that Merseyside authorities are unable to identify and tackle areas where waste performance (non-financial and financial) needs to improve.

Auditor judgement

Performance management and reporting arrangements could be enhanced to allow for better review and scrutiny of waste collection and disposal performance.

Summary findings

We found weaknesses within performance management arrangements in place across the region with regards to waste. There are a number of reporting provisions within the current Memorandum of Understanding (MoU) (2014 - 2041) which governs the arrangement between the MWDA and the Merseyside Councils, which are not being met.

Management comment

The LCR Strategic Waste Management Partnership are developing a framework of performance indicators as part of the region's Zero Waste Management Strategy to measure impact and progress. The framework will be used by each district authority and the waste disposal authority to provide annual performance reports on recycling, reuse and waste reduction. The reports will include benchmarking against national performance trends.

Improvement recommendation

Improving economy, efficiency and effectiveness in waste services

Recommendation	To improve the economy, efficiency and effectiveness of waste services across the Merseyside region, it is recommended that: 1. The Councils should consider its recycling rates in line with the national average and in the context of incoming national targets (65% by 2035). They should put in place plans for improving efficiency and effectiveness in this area, working with the MWDA. 2. MWDA should work with its board members (including any required consultations with the respective Merseyside Councils) to take decisions as to the long term treatment of rising waste tonnages, which cannot be treated within existing contracts. This includes consideration of the course of action on the impending expiry of the waste management and recycling contract in 2029. 3. The levy could be updated to distinguish between collection of recyclate vs residual tonnage to incentivise recycling amongst the Merseyside Councils. 4. The levy could be updated to make the Merseyside Councils accountable for delivering waste at Band 3 levels (e.g. on a pro rata basis) to incentivise reduction in residual waste tonnages amongst the Merseyside Councils. We have seen on other multi-authority projects that if the 'levy' does not reflect the payment mechanism with the disposal contractor, there is a risk that a participant council will not be held to the agreements and forecasts that informed the payment mechanism with the disposal contractor
Why/impact	Failure to address these improvement recommendations increase the risk that Merseyside authorities are unable to: • achieve incoming legislation, which will mandate a target to recycle 65% of municipal waste by 2035. • achieve best value by effectively managing rising costs of collection and disposal of waste.
Auditor judgement	Merseyside authorities need to work effectively together to improve waste outcomes in the face of rising waste tonnages and incoming legislation that will require a significant improvement in recycling rates.
Summary findings	Across the four Merseyside councils we audit, the average recycling rate is 13.53% below the national average (in 2020-21 FY) of 43.1%. As seen across the country, the Covid pandemic has led to increased waste volumes which has inevitably led to increased costs across all Merseyside councils for the provision of waste services.
Management comment	The LCR's Zero Waste Strategy will set out the steps for transforming recycling performance regionally and within each member district authority, with a major focus on driving resident behaviour change. The Strategic Waste Management Partnership are also working with senior finance colleagues to overhaul and incentivise the waste levy, undertaking a review of other region's financial arrangements as part of this.

Improvement recommendation

Improving economy, efficiency and effectiveness

Recommendation	We recommend the Council look at clearer integration of financial performance reporting with service delivery reporting. One way to achieve this could be to require performance reports to have a financial input from portfolio holders as part of quarterly reporting.
Why/impact	Integrated reporting of financial and performance information will provide clearer overall information to stakeholders on service and portfolio performance, viability and future projections.
Auditor judgement	Integrated reporting is a key component of good governance. The International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) emphasises "the need for integration in both reporting and organisational performance and makes explicit reference to Integrated reporting. With the growing demands on public services, public sector entities are compelled to identify new and better ways of doing business and convince their stakeholders of how they will continue to achieve their objectives and targets.
Summary findings	Although the quarterly financial monitoring reports give commentary on individual portfolio positions and specific budget pressures there is a lack of direct link to the service performance reports.
Management comment	Historically reporting arrangements were for an integrated finance and performance report. Separate reports were introduced on advice from the LGA following the Corporate Peer review in 2019; this was based on the balance of timeliness for financial reporting. As an improvement for 22/23 a high level performance summary (previous quarter) will be included within financial monitoring reports.

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

COVID-19 arrangements

Since March 2020 COVID-19 has had a significant impact on the population as a whole and how Council services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

Financial sustainability

The impact of Covid-19 has cut across the Council, impacting its income in the collection of Council Tax and Business Rates and from the closure of car parks and leisure services. It has also incurred additional spending pressures, most notably in tackling homelessness and adult social care.

The Council reported Covid-19 related spending pressures of £6.4m and other losses in income of £8.3m during 2020/21.

These additional costs have been offset by emergency and compensation funding from the Ministry of Housing, Communities and Local Government (MHCLG) of £15m. Uncommitted grant is set aside for future years.

In addition, the Council received £0.989m from the government to mitigate losses in Council Tax and Business Rates collection and other specific Covid-19 related funding for specific work programmes.

The Council continued to monitor the impact of the revenue budget and the impact of Covid 19 pressures through regular financial monitoring reports to Cabinet. The Council set up separate cost centres and costs are matched to receipt of funding. Reports provided the forecast outturn positions and the impacts arising from Covid-19. The government is providing some ongoing support to mitigate against the impact of the Covid-19 pandemic into 2021-22. The Council has set aside £28.553m into a Covid-19 Reserve to help mitigate against future Covid-19 pressures (with £20.169m set aside for the government extended hospitality, retail and leisure scheme).

Although these reserves provide some cushion against future pressures the impact of the Covid-19 pandemic on the 2021/22 budget and future years is unknown, particularly when some government support packages end. Whilst the Council has set a balanced budget for 2021/22 with savings built in, the Council will need to maintain close scrutiny over its finances in order to achieve this budget.

Governance

As a result of the emerging pandemic, a multi agency response was put in place across Merseyside and St Helens. The Council has continued to support this Merseyside Resilience Forum response and set up local arrangements led by the St Helens COVID-19 Strategic Group. In addition support to the local community was co-ordinated through the St Helens Together Campaign by working with partners and voluntary organisations across the Borough. Integration of Health and Care services within St Helens enabled a joint response to the pandemic with the new Integrated Care Partnership structure now tasked with driving further improvement.

Council staff transitioned to home working and were redeployed where normal duties could not carry on. The Council adapted some of its internal control processes to maintain effective governance throughout the pandemic. Committee and other meetings took place online.

Internal Audit have offered a responsive service during the pandemic and supported the Council's business continuity response. This included flexing the IA Plan and seconding 2 senior IA staff onto COVID-19 related assurance work for most of the year. IA provided advice on new policies and procedures and assurance work regarding reset and recovery processes, completing 21 audit reviews on specific service areas. IA gave high assurance on the adequacy of the control environment around Covid-19, including on the processing of business support grants.

Improving economy, efficiency and effectiveness

The Council released its Borough Strategy 2021-30 in March 2021 which sets out its strategic priorities, informed by the experience of the community during the pandemic.

Aligned to this the Council finalised its St. Helens Economic Reset and Recovery Plan in July 2021, after a period of consultation, to identify key activity to support recovery over the short-to medium term. The report covers three delivery themes: Supporting Businesses; People-Focused Recovery; and Place & Ensuring a Green Recovery. Key actions for recovery will be progressed, monitored and reported during 2021-2022.

The recent LGA Corporate Peer Challenge – Review (September 2021) commented on the Council's stated commitment within the Strategy to 'Work together for a better borough, with people at the heart of everything we do'. It recognised a stepped improvement in the Council's strategic purpose with clear priorities now in place.

The LGA recommend the Council work to embed and deliver against the strategy and clearly align corporate priorities into other policy and strategy documents.

Appendices

Appendix A - Responsibilities of the Council

Role of the Executive Director of Corporate Services:

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

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 Executive Director of Corporate Services 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 Executive Director of Corporate Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Director of Corporate Services 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 Executive Director of Corporate Services 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	Summary of findings	Outcome
Financial sustainability We identified a risk of significant weakness around financial sustainability arrangements at the Council due to continuing uncertainty over future government funding and a potential £33.4m cumulative budget gap over the 3 year MTFS period 2021-24 with proposed savings options of £24.8m over the same period.	We: • reviewed budget monitoring reports and the outturn report 2020-21 • examined the Council's assessment of the Covid-19 impact and how the 2020/21 budget is being managed in the light of this. • reviewed the MTFS 2021-24 and 2021-22 budget projections, looking at underlying assumptions and forecast delivery • assessed the progress and arrangements in place for developing future savings and efficiencies to close any medium term funding gaps	Overall, whilst the Council continues to face significant financial pressures we consider the financial management arrangements are sound. The Council acknowledges that it is essential that it continues to identify and implement robust action plans to ensure savings remain on track. It will need to ensure it is clear on service prioritisation, areas of improvement focus and develop longer term transformational plans to ensure a balanced budget and delivery of financial stability in the future.	Overall, we found no evidence of any significant weaknesses in the Council's arrangements for ensuring the Council can continue to deliver financially sustainable services. We have made one improvement recommendation around closely monitoring the delivery of its savings and cost reduction plans as part of the achievement of its Medium Term Financial Strategy (MTFS) and strategic objectives.
Ofsted Inspection of Children's Social Care Services The Council received an "Inadequate" Ofsted rating for its children's social care services in 2019. The Ofsted monitoring visit in 2020 confirmed that good progress had been made but the Council still had a way to go to secure sustained improvements in the effectiveness of children's social care services	We: • examined feedback from the Department for Education (DfE) intervention unit and Ofsted • considered findings from the Ofsted focused visit in May 2021 and monitoring visit in November 21 • reviewed progress made against the actions set out in the Children's Improvement Plan and discussed the position with the Director of Children's Services • examined the Council's governance arrangements in place for monitoring and reporting improvements	Based on our review of arrangements in place and the findings from the Department for Education and Ofsted monitoring visits, we believe that further improvement is still required to improve outcomes in Children's Services.	Overall we found significant weaknesses in the Council's arrangements for the delivery of children's social care services. The latest Ofsted monitoring visit in November 2021 has confirmed that there are still areas of improvement required to secure sustained improvements in the effectiveness of children's social care services.. We recommend the Council continue to prioritise service improvements in line with the DfE and Ofsted findings within its revised Improvement Plan.

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	Summary of findings	Outcome
Waste management services across Merseyside There are financial challenges with rising levels of residual waste and a lack of progress with improving recycling rates across Merseyside. There appears to be a governance gap between the collection authorities and the disposal authority regarding the strategic direction on waste, which may lead to poor strategic decisions that fail to address the financial and environmental challenges.	We reviewed the arrangements in place to manage performance on waste collection and the effectiveness of strategic waste partnership working across Merseyside.	Based upon our review of waste management services we believe there is scope to improve the degree of coordination and quality of waste management services across the region.	Overall, we found no evidence of any significant weaknesses in the Council's arrangements for waste collection performance and strategic partnership working. We have identified three recommendations to further improve the degree of coordination and quality of waste management services. Realising these actions would deliver a fit for purpose governance model which can aide the clear communication to political leadership of the long term benefits to the citizens of the region of these changes.
Estates management During 2020-21 the Council commissioned a CIPFA review of property services and Internal Audit completed an estates management review on some further scoped areas. This was due to concerns raised over the governance and controls in place for land and property disposals.	We examined the CIPFA and Internal Audit Reports on the overall governance and controls in place for land and property disposals. We discussed the outcomes from the reports, the Council's response and raised further areas for additional follow up.	Based on our consideration of the CIPFA and Internal Audit reports on estates management and our follow up with officers, we believe that improvement is urgently required to the estates management service. We note the subsequent improvement actions the Council is currently working to deliver through its Property Transformation Programme.	We are aware of significant weaknesses in the Council's overall governance arrangements in place for land and property disposals. We recommend The Council urgently progress improvements in estates management, as reflected in its Property Transformation programme, to reduce the risk of lost income or fraud arising from inappropriate and potentially undervalued property disposals and to meet corporate service objectives.

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. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	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	5-6
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	14-16, 30-33

Appendix D - Use of formal auditor's powers

We bring the following matters to your attention:

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

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