Wirral Borough Council

Auditor's Annual Report
Year ending 31 March 2025

February 2026

Contents

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

01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for Wirral Borough Council during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 20224/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Auditor's powers

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

- Statutory Recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

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 (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Local government – context

Local government has remained under significant pressure in 2024/25

National

Past

Funding Not Meeting Need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.

Workforce and Governance Challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

Present

Financial Sustainability

Many councils continue to face significant financial challenges. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.

External Audit Backlog

Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.

Future

Funding Reform

The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.

Reorganisation and Devolution

Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Local

The Council is a Metropolitan Borough Council providing the majority of Council services, alongside strategic functions provided by the Liverpool City Region Combined Authority, to a population of c320k residents. The Council operates under a committee system and has 66 elected Councillors, the next scheduled all-out election to take place in May 2027. The Council is led by a Labour minority administration. The Council is navigating an extremely changeling financial position which has necessitated requests for Exceptional Financial Support (EFS) from the government to maintain financial sustainability in the short term. The Council was awarded up to a total of £27.5m in EFS for 2024/25 and 2025/26 and this is the second time the Council has been awarded EFS since 2021. The Council Plan 2023 – 2027 sets the overall direction of the Council. The Council committed to review and revise its Council Plan, following an external review in 2024/25, to better reflect the financial challenges it faces. It is important this review is completed, consensus reached, and the refreshed strategic ambitions are embedded across the Council. This will support the whole organisation to mobilise and respond to the acute financial challenges the Council faces.

02 Executive Summary

Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council's arrangements is set out below. Further detail can be found on the following pages. We have raised four statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014 which must be publicly responded to by the Council within one month of receipt of this report.

Criteria	2023/24 Assessment of arrangements		2024/25 Risk assessment	2024/25 Assessment of arrangements	
Financial sustainability	R	Two significant weaknesses identified, in relation to the Council's short to medium term financial sustainability and Dedicated School Grant deficit. One statutory, one key and four improvement recommendations made.	Risks of significant weakness identified with regards to the Council's short to medium term financial sustainability and the level of the Dedicated Schools Grant deficit.	R	Significant weaknesses in arrangements identified relating to the Council's short to medium term financial sustainability, the pace of transformational activity, regeneration risks, the level of the Dedicated Schools Grant (DSG) deficit and strategic planning. Three statutory recommendations have been raised and two key recommendations.
Governance	A	No significant weaknesses in arrangements identified, but three improvement recommendations made.	No risks of significant weakness identified.	R	Significant weaknesses in arrangements identified relating to budget setting and monitoring. These factors have been included within a wider statutory recommendation (1). In addition, significant weaknesses in effective member/officer relationships, regeneration business case development, regeneration leadership capacity and senior officer recruitment practices. A further statutory recommendation and three key recommendations raised.
Improving economy, efficiency and effectiveness	R	Significant weaknesses identified in relation to the Special Educational Needs and Disabilities service. One key and five improvement recommendations made.	Risk of significant weakness identified with regards to the Special Educational Needs and Disabilities service.	R	Significant weaknesses in arrangements identified relating to Special Educational Needs and Disabilities inspection, findings from independent review of regeneration projects, project management methodology and procurement and contract management practice. Five key recommendations raised. We also raise one improvement recommendation.

G No significant weaknesses or improvement recommendations.

A No significant weaknesses, improvement recommendation(s) made.

R Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.

Financial sustainability

We have identified significant weaknesses in the Council's arrangements to secure financial sustainability. The Council is facing stark financial challenges. The Council needs to put in place effective measures to control persistent overspending, fundamentally address historically low levels of reserves, quicken organisational transformation to bridge budget gaps whilst isolating, and then mitigating, financial risks associated with the Council's regeneration activity. These crucial actions need to be underpinned by impactful strategic planning to allow the whole organisation to unify against a set of simplified aims to foster meaningful change and to recover financial sustainability.

The Council overspent by £18.6m in 2024/25, driven by unbudgeted social care expenditure, this has required the Council to seek Exceptional Financial Support (EFS) from the government to balance the budget. This is the second time the Council has been awarded EFS since 2021. A balanced budget was set for 2025/26, which included growth of £70.5m, which was mostly directed to social care. Despite this substantial investment, overspending is continuing. The Council has forecast a net overspend of £6.4m as at quarter one 2025/26, with later forecasts reporting a worsening position. This mainly results from overspending in adult social care.

The Council's unallocated reserves are very low. The 2025/26 budget included a plan to increase reserves to 3.8% of the net revenue budget but we deem this to be insufficient to manage the range of financial risks being faced. In any instance the current financial forecast undermines the likelihood of this, moderate, increase. The Council's MTFS 2025/26-2029/30 indicates a large budget gap of £77.5m which will require the Council to identify immediate savings whilst fundamentally redesigning the organisation's operating model to help support sustainability. The Council has had transformation resource in place for some time to support savings delivery, despite this, the scale of organisational change has not been sufficiently ambitious. The Council now needs to accelerate its transformational activity, not just to address immediate budget gaps, but to press on with wholescale change to allow the organisation to reemerge on a more financial sustainable footing. This will require all members and officers to align against a set of revised strategic priorities that prioritise the financial security of the Council.

The Council has been focusing on a very ambitious regeneration agenda however there is evidence that the programme management, governance and oversight of such activities has been less than optimal over an enduring period, further exacerbating the Council's acute financial pressures. Corporate grip needs to be applied to allow the Council to fully understand the risks and liabilities incurred and this needs to be followed by strong action to mitigate the financial impacts and risks.

Within our prior year Auditors Annual Report we reported, using statutory powers, the scale of the financial challenges the Council faced, and documented risks to the overall financial sustainability of the Council. Sufficient action has not been taken by the Council, the risks have crystallised and due to seriousness nature of the current situation, we have raised three statutory recommendations and two key recommendations.

Executive Summary (continued)

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.

Governance

We have identified significant weaknesses with regards to the Council's governance arrangements.

An effective relationship between members and officers is key to the Council's governance arrangements. Interviews with members and officers has identified that the relationship of trust has been damaged over recent years. The Council has experienced significant changes in terms of governance and leadership which, together with a legacy of poor historical decisions and gaps in leadership capacity and capability, has undermined trust. There has been a lack of openness and transparency in some decision-making, particularly in relation to regeneration and to the appointment of some senior staff. There is some evidence of insufficient clarity between some officer and member roles and concern that some behaviours have not fostered mutual respect, accountability and civility. This has impacted on the effectiveness of senior member and officer leadership. **We have made a Statutory Recommendation, Statutory Recommendation 4, about re-building trust between officers and members.**

The Council has arrangements in place to assess strategic risks, set and monitor budgets and has in place decision-making mechanisms that are all supported by a range of policies and procedures to support appropriate behaviours. However, our work has identified these fundamental governance controls have not been effective in assessing and mitigating some key financial risks including social care expenditure and regeneration schemes.

The Council has in place a hierarchy of risk management arrangements with the most significant strategic risks being detailed within a Corporate Risk Register (CRR) which is overseen frequently by senior officer and members. Despite the CRR stating the financial risks being faced by the Council, appropriate mitigations have yet to be introduced. Similarly, the Council has failed to recognise and appropriately isolate the financial risks and liabilities relating to its regeneration activities.

Whilst the Council has taken proactive measures to strengthen its budget setting and monitoring processes to support financial control, the Council's financial position is indicative that these arrangements remain insufficient, especially in relation to demand led services.

continued...

Executive Summary (continued)

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.

Governance

The Council has significant weaknesses in the delivery and leadership of its regeneration ambitions. Although the Council has embarked on a wide range of regeneration projects, we have identified that the Council's business case development for key regeneration programmes in the past was lacking and this led to ineffective decision-making and delivery, all of which was further compounded by a deficit in regeneration leadership capacity. Containing existing regeneration risk whilst ensuring appropriate regeneration decision-making arrangements are put in place needs to be a key corporate priority for the Council.

The turnover of regeneration directors is symptomatic of the mismatch between the Council's regeneration ambitions and its ability to deliver those ambitions. The Council will need to consider the extent to which it can sustain its regeneration ambitions and whether it has the appropriate leadership capacity for those ambitions. Historical weaknesses in approach and the high turnover of senior officers in regeneration should inform any approach to recruitment which the Council takes.

2025/26 matters

As part of our 2024/25 work, we identified concerns regarding the effectiveness of recruitment to the senior regeneration role which also link to concerns regarding the arrangements to recruit the interim Chief Executive and interim Director of Regeneration during 2025/26. As we would expect the Council to implement arrangements to recruit a substantive Chief Executive and Director of Regeneration before we issue our 2025/26 Annual Auditors Report, we are reporting an emerging 2025/26 findings at this stage.

We are satisfied that the Senior Officer and Staffing Appointments Sub-Committee (SOSAS) decision in respect of the appointment of the interim Chief Executive was an appropriate outcome based on merit. However, there is evidence that the process for this appointment and the unsuccessful process to appoint an interim director of Regeneration were not conducted effectively, elevating the risk of not appointing on merit.

We have identified serious weaknesses in the Council's governance arrangements, and have raised a statutory recommendation (statutory recommendation 4) and three key recommendations (key recommendations 3,4 & 5).

Key recommendation 5 is a recommendation about senior recruitment and is a recommendation from our emerging 2025/26 audit work.

Executive Summary (continued)

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.

Improving economy, efficiency and effectiveness

We have identified significant weaknesses with regards to how the Council secures economy, efficiency and effectiveness. Service improvement within Special Educational Needs and Disabilities (SEND) provision has gained traction, yet there remains some areas in need of significant improvement. The Council's regeneration activities have been subject to an external review which has identified many areas of required improvement. We have also identified weaknesses in regeneration programme management, as well as procurement and contract management practices.

The Council has been driving forward improvements with regards to the service provision to children and young people with SEND following adverse external inspection findings in 2021/22 with most areas of the priority actions satisfied. In January 2025, a further Ofsted and CQC joint Local Area SEND Inspection was undertaken and this identified some remaining areas of priority action with a revised improvement notice being issued to the Council in June 2025. Additionally, a further 'stocktake review' was held in September 2025 with further positive progress noted. The Council now needs to build on SEND improvement activity and satisfy remaining priority actions.

The Council commissioned an independent review of its regeneration activities with the review findings, published October 2025, setting out a wide range of recommendations. The Council needs to place an organisational focus on responding to these findings and drive forward, with some urgency, improvements. We have also identified wider significant weaknesses relating to regeneration programme management as well as procurement and contract management arrangements.

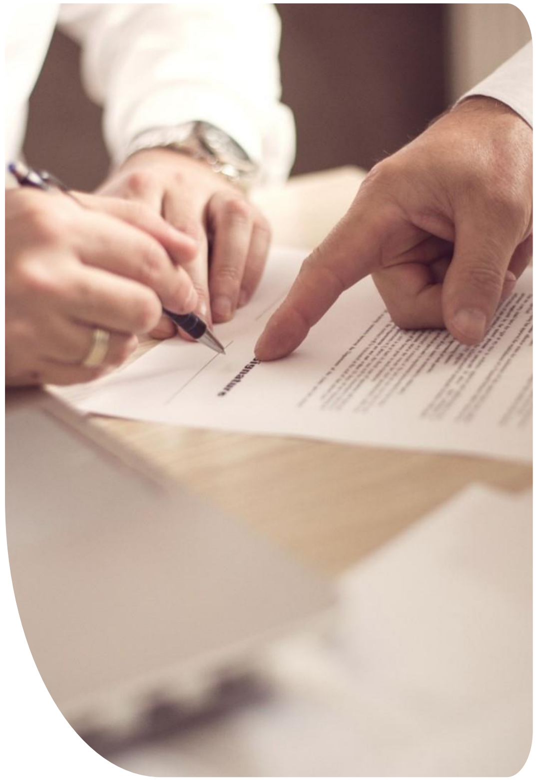
Finally, we have also identified an improvement recommendation for the Council to place a focus on its key collaboration with Mersey Recycling and Waste Authority.

We have identified a range of opportunities for the Council to drive forward performance improvement with SEND, regeneration, procurement and contract management and as such we have raised five key recommendations. We have also identified one improvement recommendation regarding partnership working.

Executive summary – auditor's other responsibilities

This page summarises our opinion on the Council's financial statements and sets out whether we have used any of the other powers available to us as the Council's auditors.

Auditor's responsibility	2024/25 outcome
Opinion on the Financial Statements	We have completed our audit of your financial statements and issued an unqualified audit opinion on 23 February 2026 following the Audit and Risk Management Committee meeting on 19 February 2026. Our findings are set out in further detail on pages 15 to 19.
Use of auditor's powers	We made written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014 – see section 5 of our report. We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014. We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014. We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.



Statutory recommendations

What does the Council need to do next?

Schedule 7 of the Local Audit and Accountability Act 2014 requires the following actions:

The Council must consider the recommendation at a meeting held before the end of the period of one month beginning with the day on which it was sent to the Council. At the public meeting the Council must decide;

- Whether the recommendations are to be accepted; and
- What, if any, action to take in response to these recommendations

Schedule 7 specifies the meeting publication requirements that the Authority must comply with.

The statutory recommendations are set out on

- Statutory recommendation 1 – see page 28
- Statutory recommendation 2 – see page 29
- Statutory recommendation 3 – see page 32
- Statutory recommendation 4 – see page 41

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

Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

We issued an unqualified opinion on the Council's financial statements on 23 February 2026 following the Audit and Risk Management Committee meeting on 19 February 2026.

The full opinion will be included in the Council's Annual Financial Statements for 2024/25, which can be obtained from the Council's website.

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

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline of 30 June 2025. Draft financial statements were of a reasonable standard and supported by detailed working papers.

- As a result of the complexities in the accounting treatment for the financial arrangements for a number of the regeneration developments which now impact on the financial position of the Council, additional risks were identified for the audit and extensive audit procedures carried out which resulted in material adjustments to the financial statements.
- The impact of implementation of the new accounting standard for leases IFRS 16 was the introduction of Right Of Use Assets onto the Council's balance sheet, with corresponding lease liabilities. The Council has now identified several previously omitted leases and material adjustments to the value of the Birkenhead Commercial District office buildings.
- A material adjustment was required to the financial statements to apply the impact of the Asset Ceiling calculation for the Council's share of the Pension Fund assets as required by IFRS 14
- The recommendations raised are reported in our Audit Findings Report

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Council's Audit and Risk Management Committee alongside this report. Requests for this Audit Findings Report should be directed to the Council.

Opinion on the pension fund statements

These pages set out the key findings from our audit of the pension fund financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

The Pension Fund is required to publish its Annual Report by 1 December 2025. We issue an auditor's consistency report which includes our opinion that the 2024/25 Merseyside Pension Fund financial statements within the Pension Fund Annual Report are consistent, in all material aspects, with those within the audited administering authority's Financial Statements.

We issued an unqualified consistency report on the pension fund financial statements contained within the Pension Fund's Annual Report alongside our audit opinion on the accounts. The Pension Fund has published an "unaudited" version of the Pension Fund Annual Report on it's website, to ensure it met the 1 December national deadline.

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

- give a true and fair view of the financial position of the Pension Fund as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Pension Fund provided draft accounts in line with the national deadline.

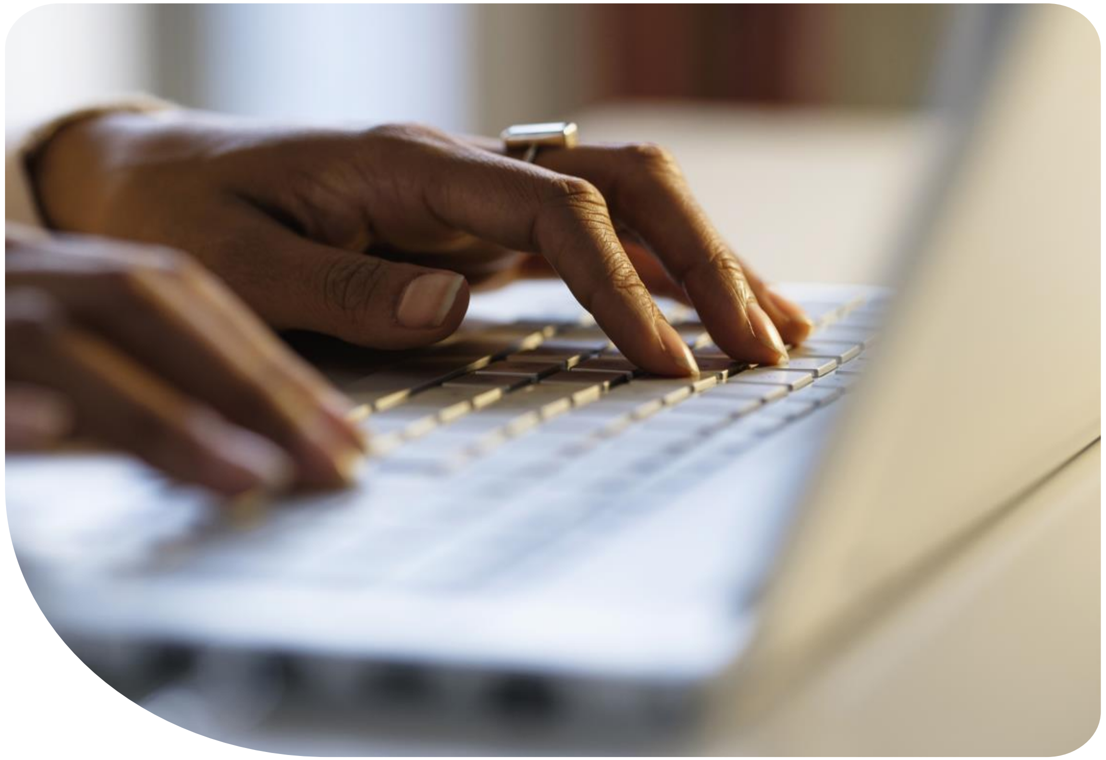
Draft financial statements were of a good standard and supported by detailed working papers.

Our audit did not identify any significant issues and there were no adjusted misstatements made to the main statements. Within our Audit Findings Report, we did identify an immaterial unadjusted misstatement and some presentational and disclosure amendments were made to the final version of the accounts.

Opinion on the pension fund statements (continued)

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Pension Fund's Pensions Committee on 23 September 2025. Requests for this Audit Findings Report should be directed to the Council.



Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Use of auditor's powers

We bring the following matters to your attention:

Statutory recommendations

We made have made four written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

Further detail are set out on pages 60 – 65.

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 report in the Public Interest with regard to arrangements at Wirral Borough Council for 2024/25.

04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

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. Council's 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 (NAO) Code of Audit Practice ('the Code'), 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 budget management, risk management, and making 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.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	The Council reported a net revenue overspend of £18.6m for 2024/25, predominately driven by an £18.1m overspend across social care. The Council implemented a range of in-year measures to mitigate overspending. However, the overspend was of a level that would have exceeded all the Council's available working balances, and the Council was unable to balance the 2024/25 budget without government intervention in the form of exceptional financial support of up to £20m of which the Council has utlised £18.6m. The Council has set a balanced budget for 2025/26, which included significant growth of £70.5m, the majority of which was directed to social care. Despite this additional funding the Council has forecast a net overspend of £6.4m as at quarter one 2025/26. This mainly results from overspending in adult social care with the service reporting an adverse variance of £8.1m. The 2025/26 budget also includes a plan to incrementally increase reserves to more appropriate levels, however the current forecast overspend does create risk to the planned increases. The Council's MTFS 2025/26-2029/30 also indicates a significant budget gap of £77.5m which will require the Council to urgently identify further savings. The level of Council overspending in 2024/25 and 2025/26, low level of reserves, and existing budget gap within the MTFS all combine to create significant financial risk to the financial sustainability of the Council in the short term. It is essential the Council places an organisational focus on containing overspending, particularly within adult social care, reviews the appropriateness (and pace) of its plan to build back reserves, and identifies further savings to support a balanced MTFS. Due to the significance of these risks, we have updated and restated a statutory recommendation (1) reported in our 2023/24 Auditors Annual Report. The DSG deficit has reached £29.9m as of 31 March 2025 and is forecast to rise further. The Council is mitigating this area of overspending and has improved on initial 2024/25forecasts, but demand pressures, as seen across the sector, are leading to significant unbudgeted expenditure. The DSG deficit is also now at such a level that the Council is managing additional borrowing costs. The DSG deficit is currently subject to a statutory override, due to expire on 31 March 2028. This is a national sector issue and the Council, like other local authorities, does not have sufficient reserves available to fund this deficit, if this were required, once the override ends. These factors create significant financial risk, and we have updated and restated a prior year key recommendation (1).	R

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
plans to bridge its funding gaps and identify achievable savings	In 2024/25 the Council delivered £8.9m of savings which represented 72% of the approved savings target (£12.3m). The Council's 2025/26 Budget included savings of £25.4m, a sharp increase from the prior year. The latest 2025/26 forecast identifies the Council will deliver 75% of these savings (£19m) with slippage mainly resulting from adult social care underlining the difficulty this service area is experiencing in keeping to agreed budget envelopes. The 2025/26 budget report also set out identified savings, totalling £4.9m, for the period 2026/27 - 2029/30, but a cumulative budget gap of £77.5m remains in the Council's MTFS 2025/26 – 2029/30. This means the Council will need to find additional savings or alternative actions to ensure financial balance in the medium term. The Council has an existing change programme, which has been reviewed in June 2025 to ensure it aligns with the Council's Budget Recovery Action Plan and best supports the MTFS. The Council's change programme is resourced, supported by clear objectives, and has in place appropriate governance arrangements. But a sufficient pipeline of viable future savings is yet to be identified to help bridge the gaps identified in the Councils MTFS. It vital for the Council to sufficiently mobilise its change agenda to identify further savings to support a balanced MTFS. In our 2023/24 Auditors Annual Report we reported an overarching statutory recommendation that included accelerating the Council's change programme activity. Due the significance of the Council's financial position, the size of the budget gap and the central importance of the change programme to help restore financial balance we have raised a separate statutory recommendation (2).	R
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Council can demonstrate linkage between the Council Plan 2023 – 2027 'Wirral Working Together' and the MTFS 2025/26 - 2029/30. Both highlight the strategic importance the Council places on financial sustainability, especially highlighted by the Council Plan priority 'To deliver council services within the means of the Council budget'. The Council has committed to review its Council Plan 2023-2027 in consideration of the serious financial challenges it faces. This review was scheduled for completion by September 2025. The revised Council Plan is drafted but is yet to be adopted. It is important the Council completes this review, and this leads to a key recommendation (2).	R

- G — No significant weaknesses or improvement recommendations.
- A — No significant weaknesses, improvement recommendations made.
- R — Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The Council's financial plans demonstrate consistency with other associated strategies such as the Council Plan 2023 – 2027 'Wirral Working Together', People Plan, Asset Strategy, Capital Financing Strategy, Treasury Management Strategy and Climate Emergency Action Plan. The Council has been required to seek EFS, and it is within this context that we recommend the Council places a close focus on the financial impacts, and affordability, of its capital ambitions to help support wider financial sustainability. This has already been included within a wider statutory recommendation (1). We have identified a need for the Council to properly assess the financial risks and liabilities in relation to it entire regeneration programme and ensure that they are properly considered in revenue, treasury management and capital plans and this is included within a wider statutory recommendation (3). We acknowledge the Council, during 2025/26, commissioned an external Regeneration Review with Review findings identifying areas of deficiency. The Council has responded. In December 2025 the Policy and Resources Committee considered an Action Plan to address areas of improvement.	R
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	The Council articulates the significant financial risks it is navigating within budget setting and monitoring reports. We also note the Annual Governance Statement 2024/25 identifies financial resilience risk as a significant governance issue for the Council and sets out planned mitigations. Key financial risks are also identified within the Corporate Risk Register with regular governance and oversight of these strategic risks and controls being provided by the senior leadership team and the Audit and Risk Management Committee. Further risk management arrangements are embedded across the organisation. Despite these arrangements the Council is not yet able to successfully mitigate key financial risks, and this threatens the overall financial sustainability of the Council in the short term. We also have identified an urgent need for the Council to assess the financial risks and liabilities relating to its regeneration activities. These factors have been incorporated within statutory recommendations (1) and (3).	R

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability (continued)

Significant weakness in relation to managing cost and demand in adult social care, level of Council reserves and identified savings.

Key Finding: The Council is responding to a very challenging financial situation which is being driven by overspending in key areas and is compounded by historically low levels of reserves, which now offer limited financial contingency.

Within our prior year Auditors Annual Report we reported, using statutory powers, the scale of the financial challenges the Council was managing, and documented significant risks to the overall financial sustainability of the Council. These risks have crystalised and the Council has been required to apply for exceptional financial support (EFS) from central government, with up to £20m being awarded for 2024/25 of which £18.6m has been used to balance the 2024/25 budget. A further £7.5m of EFS has been provided for 2025/26 which is intended to be used to help fund transformational activity. EFS is not additional government funding but a permission to incur new borrowing to fund revenue expenditure (capitalisation). The Council will need to repay this borrowing alongside existing borrowing. The Council is not alone in seeking EFS with 30 other Council's requiring such support in 2025/26.

If the Council had not received EFS to balance the 2024/25 budget the Council's working balances (unallocated reserves) would have been completely eroded. It would then have been likely that the Council would have been required to issue a Section 114 Notice (Section 114(3) of the Local Government Finance Act 1988). Councils are required by law to set balanced budgets. If a Council cannot find a way to finance their current or future budget, then a Section 114 Notice must be issued. A Section 114 Notice restricts all new spending except for protecting vulnerable people, statutory services and pre-existing commitments. We also note that the Council has been previously been in receipt of £12.1m of EFS (2020/21 and 2021/22) and the requirement for the Council to seek further support within a 5-year time frame would indicate the Council has not yet been able to sustainably mitigate structural drivers of financial risk.

The Council significantly overspent in 2024/25 and is forecasting further overspends in 2025/26, driven by unbudgeted cost and demand within social care. The Council also has a challenging savings target for 2025/26 and is currently forecasting slippage. The MTFS 2025/26-2029/30 identifies a budget gap of £77.5m which will require the Council to urgently identify further savings or alternative actions to bridge this gap.

The Council is transparent in reporting its financial position, can articulate key reasons for variance, and has introduced a wide range of measures to strengthen financial sustainability, with particular traction being seen in children's social care. We also note the emphasis placed in the 2025/26 budget report on the vital importance of the Council increasing reserves to help build financial resilience.

Despite this range of activity, and intervention, the Council continues to face acute financial challenges which threatens the Council's financial sustainability in the short to medium term.

(continued)

Financial sustainability (continued)

Significant weakness in relation to managing cost and demand in adult social care, level of Council reserves and identified savings

Evidence: In 2024/25 the Council overspent by £18.6m, after mitigations, mainly driven by unbudgeted social care expenditure (£18.1m) resulting from rising demand, cost and complexity of care. This does reflect the volatility associated with these statutory demand-led services and is indicative of wider pressures seen within the sector. We also note the Council's collection fund performance deteriorated for business rates collection (1.6% lower) when compared to the prior year, which is concerning considering the Council's reliance on local taxation.

During 2024/25 the Council reacted to the adverse forecast and introduced organisational-wide financial controls such as further mobilising the change programme, introducing strict vacancy controls and workforce reductions, alongside a wider spending freeze and a range of service specific measure to mitigate key areas of overspending. Despite this activity the level of overspending was of such that it could not be readily contained by Council reserves. This meant the Council could not balance the 2024/25 budget, was at risk of having to issue a Section 114 Notice, and to prevent such action the Council applied for government intervention. Subsequently the government provided the Council with EFS of £18.6m in 2024/25 and this directive allows the Council to capitalise revenue costs to offset the reported overspend through additional borrowing. The borrowing will need to be paid back by the Council alongside all other borrowing commitments the Council has already incurred. Following the award of EFS the Council proactively took further action aimed to strengthen financial sustainability arrangements through a Budget Recovery Action Plan. This set out enhanced budget monitoring and setting arrangements and was informed by the output of an external budget assurance review. The Council have also more recently formed a cross-party Member-led Budget Task Force that is responsible for identifying and developing further budget savings proposals over and above existing responsibilities placed on other groups, such as the finance working group and budget oversight panels of the Council's policy and service committees. Spending and recruitment controls introduced in 2024/25 also remain in place. At the time of our report the government was yet to clarify independent assurance arrangements that might be placed on the Council as a condition of EFS.

The 2025/26 Budget included the MTFS 2025/26-2029/30. The MTFS identified a balanced budget for 2025/26 but a residual funding gap of £77.5m remains for the period 2026/27-2029/30. We note some caution is reflected in the MTFS with regards to local taxation assumptions but ultimately the MTFS reflects a stark financial budget gap, that cannot be bridged by Council reserves and will require the Council to urgency identify additional savings and efficiencies. The government has approved EFS of up to £7.5m for 2025/26, and it was intended to support transformation activity and was not built into the 2025/26 budget.

The Council's quarter one 2025/26 revenue forecast indicates a net overspend of £6.4m after the application of contingency measures. Adult social care is predominantly driving overspending with this service overspending by £8.1m in 2025/26. This is despite £22m of adult social care growth being built into the 2025/26 budget. The 2025/26 budget included £25.4m of savings, with the latest revenue forecast identifying 75% are on track to be delivered, but it is concerning that the majority of forecast savings slippage (£4.1m) is attributable to adult social care. This is further evidence of the difficulty the service is experiencing in delivering to the approved budget.

(continued)

Financial sustainability (continued)

Significant weakness in relation to managing cost and demand in adult social care, level of Council reserves and identified savings

Evidence (continued) : We do note that the Council is forecasting a £1m underspend within children's social care, a notable improvement from the prior year, with the service reporting the impact of strong financial grip and control and a reducing number of children in expensive residential care settings through the Council's proactive care and families first programmes, all of which is good practice.

The Council's reserves have been eroded over time due to Council overspending and currently offer a marginal level of financial resilience. The Council's recognises that is essential for reserves to be built back to more sustainable levels. The 2025/26 budget planned to increase working balances to £16.7m by 31 March 2026 and this would result in the working balance representing 3.8% of the Council's 2025/26 net revenue budget. We deem this to be insufficient considering the financial risks the Council is navigating. The 2025/26 budget also includes a plan to increase working balances by £2.6m in 2026/27, 2027/28 and 2028/29. These increases would mean working balances would reach £24.5m by 2029/30 or 5.2% of forecast net budget, which would represent a more appropriate level and is a positive direction of travel but still means the Council has a low level of financial contingency in the short to medium-term. Additionally, the Council is yet to contain revenue overspending in 2025/26, and one of the Council's potential mitigations is delaying the planned £3.6m increase of working balances. The Council would clearly be vulnerable to financial resilience risks if this action was indeed required. The Council does also have earmarked reserves. However, these have also been reducing in recent years and are forecast to reduce further in 2025/26. Earmarked reserves are forecast to reduce by £13m during 2025/26 to £35.5m as of 31 March 2026, with the Council stating that £30.9m can be considered ringfenced with specific conditions limiting their use. This indicates the Council has limited scope to repurpose these earmarked reserves to help support acute financial pressures, underlining the importance of bolstering working balances. The Council is alert to the need to build back its working balances and is attempting to do so incrementally. But we consider the Council should explore opportunities to accelerate plans to build back these reserves to a more sustainable level, especially considering the underlying constraints of its earmarked reserves and the level of financial risk being currently shouldered by the Council.

The Council's Capital Programme 2025/26-2027/28 identifies new borrowing commitments of £66.7m. Due to the Council's financial position and award of EFS, the Council should conduct a wholesale review of its planned capital activities to ensure revenue impacts are affordable.

Impact:

The Council understands the financial challenges it faces and has taken several key steps to contain budget overspends and restore financial control. But the scale of the financial challenges the Council is currently managing due to ongoing overspending, low levels of reserves, and a significant budget gap within its MTFS 2025/26-2029/30 all combine to create significant risk to the overall financial sustainability of the Council in the short to medium-term.

Due to the significance of these matters, we have raised a statutory recommendation as detailed overleaf.

Financial sustainability (continued)

Significant weakness in relation to managing cost and demand in adult social care, level of Council reserves and identified savings

Statutory recommendation 1 (restated and reworded from 2023/24)

SR1: We recommend the Council takes immediate and effective action to manage the financial sustainability risks it is facing and this should include:

- Developing and implementing effective mitigations to support adult social care delivering to the approved budget.
- Exploring opportunities to accelerate existing plans to build back reserves to a more sustainable level.
- Identify additional savings plans at pace to help bridge budget gaps identified in the MTFS 2025/26-2029/30.
- An assessment of planned improvements in the budget setting and monitoring process to ensure they are indeed appropriate. The Council should specifically introduce enhanced arrangements to support effective demand modelling within adult social care whilst ensuring this directorate is sufficiently supported and enabled to provide accurate budget forecasts as part of the Council's budget monitoring process.
- Review the affordability of future borrowing commitments identified in the Council's Capital Programme.
- Review existing arrangements for local taxation collection to ensure they are optimal.
- Enhancing existing arrangements for managing key financial risks.
- Ensuring that member oversight of the Council's action to address its financial challenges is optimal and reflects the significance of the situation.

Financial sustainability (continued)

Significant weakness in relation identifying future savings and the Council's change Programme

Key Finding: The Council is under acute financial stress. The MTFS identifies a significant budget gap, and this will require the Council to identify significant savings. The Council has reviewed its central change programme, but a detailed pipeline of savings is yet to be established.

Evidence: The 2025/26 budget included identified savings of £25.4m. The quarter one 2025/26 budget monitoring report states £19m of the £25.4m savings target is either delivered or on track to be delivered, representing 75%. Even thought the Council is on track to deliver a higher level of savings in 2025/26 than it did in the prior year, any slippage creates financial pressure and risk for subsequent years. This is risk is particularly acute as the Council's MTFS 2025/26 – 2029/30 has a cumulative budget gap of £77.5m which will need to be bridged by additional savings.

In response to the financial challenges it faces, the Council has revised its corporate change programme which is now prioritised around three corporate transformation programmes: Corporate Property Programme, Digital Transformation Programme and Customer Journey Programme. In addition to the three programmes, the change programme is supporting improvement activities (in support of financial efficiencies) in Adult Social Care, Children's Services, Neighbourhood Services and Corporate Directorates. The Council have stated that together, these programmes and projects make up £12m of the £25.4m savings built into the 2025/26 budget. However, the change programme has not yet identified a sufficient pipeline of 'firmed up' or viable savings to help bridge the ongoing gaps identified in the Council's MTFS and this creates financial risk.

Impact: The Council's is facing a significant financial challenge which will require the rapid identification of further savings. The Council has put in place an appropriate change programme which has supported the Council to identify £12m of savings in 2025/26. However, a large cumulative budget gap remains within the MTFS and the change programme needs to be accelerated and a horizon of savings established. In our 2023/24 Auditors Annual Report we reported an overarching statutory recommendation that included a recommendation for the Council to accelerate its change programme activity. Due the significance of the Council's financial position, the size of the budget gap and the central importance of the change programme to help restore financial balance we have raised a separate statutory recommendation.

Statutory recommendation 2 (includes a theme from the 2023/24 statutory recommendation which is now expanded and stands alone)

SR2: The Council must urgently mobilise its change programme to develop robust savings plans that will help deliver the significant savings required to balance the budget gaps identified in the MTFS. These plans should be supported by approved business cases that identify the resources required to deliver change programme savings and the baseline against which benefits will be measured.

Financial sustainability (continued)

Significant weakness in relation to managing the financial risks and liabilities across the Council's regeneration programme

Key Finding: The Council has set out an ambitious vision for Birkenhead to become an urban garden 'city' on the Left Bank of the Mersey. In parallel with developing the Birkenhead 2040 Framework, the Council was successful in securing public funds to deliver projects which were intended to have a catalytic effect in supporting its vision. However, the Council's ambitions and success in fund-raising have not been matched by effective delivery. Challenges in terms of the cost of development on brownfield sites and the underlying economic conditions have impacted on project viability. The Council has struggled to maintain control over spiralling project costs. Many issues can be traced back to the original initiation of projects in terms of poorly constructed business cases which lacked a candid assessment of the risks and clarity about the intended financial and economic outcomes. Weaknesses have also been exposed in the regeneration delivery processes which include the regeneration capacity within the Council, the leadership of regeneration, control and decision-making at key stages of delivery, procurement and contract management and a failure to consider the wider impact on the Council's financial challenges. All of these weaknesses are symptoms of a significant weakness in governance and have been referenced in wider recommendations within this report.

Evidence: Our letter from Mark Stocks, Partner, Head of Public Sector Assurance, to the Council's Chief Executive on 23 October 2020 set out our concerns about financial sustainability and the low level of reserves the Council had at that time, the use of reserves to balance the budget in prior years, and the need to address the deficit budget position. In particular, we noted the ambitious plans for capital expenditure on economic growth as well as the planned transfer of capital to revenue to support transformation which "would appear to cast doubt over [the Council's] ability to take these programmes forward and remain financially sustainable." Five years later the Council has still not established effective corporate grip over the risks to its financial sustainability which in part led to our Statutory Recommendations raised in 2023/24 and 2024/25.

The risks involved with such an ambitious regeneration programme were also identified in March 2022 in the LGA Corporate Peer Challenge Feedback Report which recommended that "the Council assures itself that it has the appropriate skills and resources across the organisation to deliver on its scale of ambition. This includes particular focus on the finance support required to support delivery and manage risk on the Council's behalf as a '*client function*'." The report also pointed to further work required to coalesce and coordinate the Council's regeneration ambitions in a single place into an overarching plan. It warned that the Council may not be able to deliver against all funding streams within the required timescales and urged it to consider the capacity not just in regeneration but also in the advice and support provided through procurement, legal and commercial finance.

The Council has articulated the challenges it faces in securing its future financial sustainability but has not yet translated this into actions which have secured the necessary savings, transformation of services and replenishment of reserves. Over the last three years it maintained its focus on regeneration with the intention that this would not only regenerate the Borough and attract new investment but would also help to strengthen the Council's financial position. However, we have not found sufficient evidence that the Council has maintained a realistic assessment of the ongoing financial implications, and risks, of its regeneration plans. (continued)

Financial Sustainability (continued)

Significant weakness in relation to managing the financial risks and liabilities across the Council's regeneration programme

For example, when the Council approved the full business case for the Hythe, it made only passing reference to 'new property rates generated.' It identified three scenarios for rental income which show that in all scenarios the potential borrowing costs falling on the Council would be covered. However, the estimated borrowing costs did not take account of the risk of rising interest rates and did not include the minimum revenue provision which would impact on the revenue budget. Therefore, not only has the Council had to purchase the building at a cost which is £1.6m above its value, the risks around the ongoing impact on the revenue budget, which were never accurately forecast, have now materialised. Six months after the purchase of the building the Council has been unable to provide an assessment of income and expenditure (including borrowing costs) or quantify the ongoing impact on its revenue budget of operating the Hythe.

A second example is the office development in the Birkenhead Commercial District which the Council has helped to facilitate through its joint venture, the Wirral Growth Company (WGC). Phase one has involved the construction of two office buildings, Mallory and Irvine, and the Council now occupies part of the available space. The scheme's aim originally was to provide a one-off surplus (net income) attributable to the development of over £11m (shared 50:50 between WGC and the Council). The surplus could support investment in further phases of the development. However, the Council has not yet been able to secure lettings for the unoccupied space which has an impact on the overall likelihood of the scheme meeting its forecast financial objectives. The scheme's success also requires the Council to secure revenue budget savings through rationalisation of properties previously occupied by the Council. It is also noted that the impairment review on completion of the two buildings has led to a £63m impairment being accounted for in 2024/25, with the buildings being valued at £13.7m compared to the lease liability of £76.7m. The lease liability represents the Council's headlease for the next 35 years when the Council has the option to buy the development for £1.

The Birkenhead Town Centre Movement Scheme was the subject of a contract governance review by the Council's internal auditors which was reported to the Audit and Risk Management Committee on 2 September 2025. The contract, with a capital value of £11.9m, was let in March 2024 but by July 2025 the forecast total cost was £24.3m. The internal audit report found serious weaknesses in the way responsibilities for the scheme were organised and managed, a flawed approach to design and tendering which resulted in the Council bearing significant risks relating to contract variations, and inadequate contract management and reporting which allowed costs to escalate without proper governance and controls.

Following a change of political leadership in May 2025, the Council commissioned its own independent review of its approach to regeneration in July 2025. The Review of Regeneration report was published in October 2025, and this is a detailed review of the Council's approach over recent years which identifies "considerable failings." We do not intend to repeat the specific issues covered and recommendations made in this report, other than to confirm that they are relevant to the conclusions which we have reached about the Council's arrangements and that the Review of Regeneration report findings are consistent with our own analysis. Its headline messages and recommendations provide the Council with a framework which will assist its improvement, and we have made a Key Recommendation (KR7) about this on page 52.

Financial sustainability (continued)

Significant weakness in relation to managing the financial risks and liabilities across the Council's regeneration programme

Impact: The Council's regeneration plans have been underpinned by an aspirational vision for the regeneration of the area and success in securing public funding streams to accelerate development. However, this has not been matched by sufficient capacity, knowledge and leadership within the Council to ensure that plans were capable of being delivered. It is evident that in some cases the plans were flawed at the outset and that there does not appear to have been sufficient challenge to business cases which were not robust, or which demonstrated a degree of optimism bias. Some stakeholders in the Council have told us that issues with the delivery of regeneration schemes became evident from 2022 onwards but the evidence we have seen shows that the weaknesses we have described were present before 2022. Furthermore, economic circumstances following the pandemic, including the impact of the war on Ukraine on the UK economy, should have led to a reassessment of the fundamental assumptions under-pinning all of the Council's regeneration schemes.

The Council has entered into long-term financing arrangements and provided guarantees which are long-term risks and liabilities. At the same time, the Council has not been able to make a speedy and effective response to the service demand pressures which impact on its overall financial sustainability. It now needs to assess the risks and liabilities across the whole of its regeneration programme and consider its ability to manage those risks and liabilities (and those of any new regeneration projects) in the context of its overall financial sustainability.

Statutory recommendation 3

SR3: The Council should take immediate action to assess the financial risks and liabilities across its whole regeneration programme and ensure that they are properly taken into account in revenue, treasury management and capital plans. The regeneration programme should be reviewed to ensure that it is affordable, supports the Council's future financial sustainability and does not detract from the aim of working together to create a more efficient, effective and accessible Council.

Financial sustainability (continued)

Significant weakness identified in relation to managing the Dedicated Schools Grant (DSG) deficit

Key Finding: The DSG is a budget allocated in four blocks, including schools, early years, high needs, and central school services. However, the Council has been spending more than the funding provided, as have others in the sector, and has been in a deficit position that is increasing year on year. This is attributable to the High Needs Block (HNB), which is funding to support children and young people with special educational needs and disabilities (SEND), with needs generally identified through Education, Health and Care Plans (EHCP).

A statutory override has been put in place by the government which currently allows the Council, like others in the sector, to treat the DSG deficit as a negative reserve. This mechanism is temporary and is due to end on 31 March 2028. The Council's DSG deficit is rapidly growing and as of 31 March 2025 reached £29.9m. Should the statutory override be removed, the Council may need to use reserves to meet the shortfall, and the current levels of available reserves are insufficient to meet this liability. These factors create significant financial risk to the Council.

Evidence: The Council incurred unbudgeted DSG spending of £17m in 2024/25, principally driven by HNB expenditure, which added to an existing DSG deficit. The cumulative DSG deficit is now £29.9m as of 31 March 2025. The Council's DSG deficit is forecast to increase, based on current funding arrangements, to £48m by 31 March 2026.

The Council understands the reasons for overspending in HNB. The Council is taking action to mitigate financial pressures and has participated, between 2023 – 2025, in the government's Delivering Better Value Programme. Through this work the Council identified five separate workstreams to mitigate demand and this activity is continuing, with oversight of this activity provided by the Local Area SEND Partnership Board.

Despite the DSG statutory override the Council must pay for associated borrowing costs due to the size of the DSG deficit, and in the context of the Council's low level of useable reserves. The Council estimates financing costs of c£2m for 2025/26 to facilitate the DSG deficit which further adds to the wider revenue pressure being managed by the Council. These financing impacts underline the immediate financial pressure, and risk, the DSG deficit places on the Council alongside the wider financial risks being managed in relation to the time limited statutory override.

(continued)

Financial sustainability (continued)

Significant weakness identified in relation to managing the Dedicated Schools Grant (DSG) deficit (continued)

Impact: The Council's DSG deficit is substantial and increasing. If the statutory override is not further extended in April 2028 the Council could become liable for the DSG deficit and does not have sufficient available reserves to accommodate this deficit. The size of the Council's DSG deficit is also causing the Council to incur additional borrowing further compounding the wider financial stress the Council is currently managing. The higher the DSG deficit rises the more these treasury management costs will likely increase. These factors create risk to the financial sustainability of the Council and due to these risks matters relating to the DSG deficit should be included in budget monitoring reports, considered by the Policy and Resources Committee.

The government is currently working with Councils to identify ways to address this national issue going forwards and announced in the November 2025 budget statement that they will set out substantial plans for reform of SEND provision early in the new year to deliver a sustainable system. As part of the budget announcement the government stated they would not expect Councils to need to fund future special educational needs costs from general funds once the statutory override ends. The detail of the government's plans to support Councils with historic and accruing deficits are to be set out in the upcoming Local Government Finance Settlement. Despite the government commitment to introduce reforms to SEND, the Council needs to take further action now, in addition to already identified workstreams, to help further mitigate HNB overspending. This will help support wider financial sustainability in the short to medium term.

Key recommendation 1 (restated and reworded from 2023/24)

KR1: We recommend the Council places a significant organisational focus on:

• Continue interventions that will support the management and mitigation of the DSG deficit, including those progressed within the former Delivering Better Value programme. Whilst satisfying itself there is sufficient oversight and governance of these specific programmes relating to the control of DSG expenditure.

• Enhancing budget monitoring reports considered by the Policy and Resources Committee, so they include reference to the DSG deficit and associated treasury management and reserve implications.

Financial sustainability (continued)

Significant weakness identified : Review of Council Plan

Key Finding: The Council participated in a Corporate Peer Challenge (CPC) in November 2024. The peer team set out a range of recommendations with the Council developing an improvement action plan in response. As part of the action plan the Council committed to complete a mid-year review of the Council Plan.

Evidence: In March 2025 Policy and Resources considered the outcome of the CPC. The CPC made 11 recommendations. One of which being:

- Refine the new Council Plan and performance management framework to support prioritisation.

The Council's improvement action plan stated the Council would complete mid-term review of the Council Plan between March and September 2025.

We have been provided with a draft revision of the Council Plan, however this is yet to be adopted or cascaded throughout the organisation. The Council had an opportunity to introduce a revised Council Plan during 2024/25. We recognise this has now been delayed, more recently, due to the Council responding to changes in leadership.

Impact: It is important that the review of the Council Plan is urgently concluded, and cascaded through the organisation, especially considering the financial challenges the Council is navigating.

Key recommendation 2

KR2: We recommend the Council completes its review of the Council Plan 2023-2027, and the refreshed strategic ambitions are embedded across the Council. This will support the whole organisation to mobilise and respond to the acute financial challenges the Council faces.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Council's Risk Management Framework describes the risk management arrangements in operation across the Council. This includes a hierarchy of risk registers culminating in a Corporate Risk Register (CRR) which sets out a proportionate range of key strategic risks. The CRR is frequently assessed by the Senior Leadership Team with oversight and governance provided by the Audit and Risk Management Committee. The Council's wider risk management arrangements are also considered by a senior officer led Corporate Governance Group. Despite these arrangements the Council is not yet able to successfully mitigate key financial risks. We also have identified an urgent need for the Council to assess the financial risks and liabilities relating to its regeneration activities. These factors have been incorporated within statutory recommendations (1) and (3). The Council has appropriate internal audit and counter fraud arrangements in place, supported by regular oversight and governance by the Audit and Risk Management Committee. We particularly note as good practice the Council's proactive counter fraud awareness activities and comprehensive suite of corporate policies intended to counter fraudulent activity.	R
approaches and carries out its annual budget setting process	The Council has a budget setting process which involves members, officers and stakeholders, demonstrating internal and external engagement. The Council's Budget setting process for 2025/26 followed a planned process that involved engagement across the Council and with external stakeholders. In November 2024, the Policy and Resources Committee considered an early iteration of the MTFS, based on the latest available assumptions relating to funding, growth, savings and in consideration of wider economic forecasts. The report also includes a budget setting timeline which set out a programme of engagement, governance and oversight to help inform the annual budget. This included assessment and refinement of the evolving budget through the activities of the Finance Working Group, Policy and Service Committee Budget Oversight Panel's and Member group briefings. A balanced budget for 2025/26 was set by full Council in March 2025. However, as we have already reported the Council is reporting a significant adverse variance for 2025/26. (continued)	R

G	No significant weaknesses or improvement recommendations.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.
A	No significant weaknesses, improvement recommendations made.

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
approaches and carries out its annual budget setting process	In light of the financial challenges the Council faces it has proactively strengthened its budget setting process for 2026/27 and beyond. In March 2025, Policy and Resources considered a Budget Recovery Action Plan, (BRAP) which included an enhanced and refined methodology for future budget setting processes to support financial sustainability. The BRAP included a series of additional principles to help shape a framework to support the achievement of balanced and sustainable budgets, based on a strong theme of organisational financial responsibility. The level of the 2024/25 overspend and the Council's forecast overspend for 2025/26 identifies the Council's budget setting arrangements were not optimal. The Council needs to reassure itself planned improvements in the budget setting process are indeed appropriate and the Council should specifically introduce enhanced arrangements to support effective financial and demand modelling within adult social care. These factors have been included within a wider statutory recommendation (1).	R
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	The Council's has a central finance team who collaborate with services to conduct a monthly financial forecast. Due to the serious financial challenges that the Council faces it is essential that these forecasts are accurate and robust, especially in relation to service areas that are reporting a high degree of variance. The Council has arrangements in place to monitor its financial position throughout the financial year supported by oversight and governance. Senior officers monitor key financial forecasts monthly and quarterly budget monitoring reports are provided to each of the Policy and Services Committees. The BRAP (referred above) also includes an enhanced internal officer budget monitoring process to scrutinise and challenge budget performance. The quarter one financial forecast for 2025/26 identifies that these arrangements need to be further tested and strengthened. This quarter one forecast states that adult social care is forecast to overspend by £8.1m. This level of overspending could have serious implications for the financial sustainability of the Council in the short term, and it is important that this forecast is subject to additional scrutiny, validation and appropriate governance. These factors have been included within a wider statutory recommendation (1).	R

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

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	The Council's Constitution is transparently published on its public facing website. The Constitution is a written legal document which guides the Council on its decision-making process, therefore setting out a framework for Members and officers to work within and it also clearly sets out the terms of reference for the Council's committees. The Council operates a Constitution and Standards Committee to ensure the Constitution is regularly reviewed and remains fit for purpose which is good practice. The Council currently operates a committee model of governance. Decisions are made by full Council, six policy and services committees or by regulatory committees. All committee papers are published online. The Council is not required adopt a separate overview and scrutiny committee, but it is still expected that scrutiny will take place within committees. As such we note the operation of budget oversight panels, within committees, which help to shape and inform the Council's budget setting process. The committee budget oversight panels scrutinised committee budget envelopes with recommendations made to Policy and Resources. The Council also operates an established Audit and Risk Management Committee (ARMC). During 2024/25, ARMC met frequently and considered a range of relevant matters in line with its remit. We note the ARMC has a serving independent member, with plans to recruit another, which is in support of good governance. ARMC undertakes an annual review of its effectiveness in line with best practice and produces an annual report reflecting on activities undertaken and planned all of which is notable practice. Our work has identified significant historical weaknesses in relation to how the Council developed business cases for key regeneration projects between 2019 and 2021. These weaknesses have impacted effective decision making and regeneration programme delivery and project outcomes. These weaknesses relate to an earlier period but their financial impact became clearer in 2024/25 and therefore we have raised a key recommendation (3). We have also established the Council lacks leadership capacity to match its regeneration ambitions, which leads to a significant weakness in arrangements, and we have raised a key recommendation (4). We have identified significant weaknesses in the Council's recruitment practices in relation to senior roles and an initial 2025/26, key recommendation (5) has been raised.	R

G No significant weaknesses or improvement recommendations.

A No significant weaknesses, improvement recommendations made.

R Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	During 2024/25 the Council reviewed its Code of Corporate Governance to ensure adherence to best practice which demonstrates the Council focus on principles of good governance. The Council has in place a wide range of arrangements to report legislative and regulatory requirements and standards, monitor compliance, and communicate expected behaviours to its staff and elected Members. These arrangements include Member and Employee Codes of Conduct, a Whistleblowing Policy and procedures for declaring interests and gifts and hospitality. These arrangements are further supported by the operation of the Council's Governance Group and Constitution and Standards Committee. We have been informed of instances of poor behaviour which has negatively impacted member and officer relationships at a senior level. The Council needs to take urgent action to re-build trust. Due to the significance of these matters, and the potential impact on the Council's governance arrangements, we have raised a statutory recommendation (4). The Council continued to drive improvement in its procurement arrangements during 2024/25. The Council updated its Contract Procedure Rules (CPRs) to align with the requirements of the Procurement Act 2023. The Council has also commenced reporting to ARMC the number and value of waivers (where normal procurement practices did not or could not apply), which supports transparency in procurement. The Council has also taken steps to promote social value in procurement with the launch of a social value portal with metrics relating to social value included in monthly performance reports considered by the senior leadership team, underlining the focus being placed on supporting local supply chains. The Council still needs to develop a revised procurement strategy and take further action to improve its contract management arrangements. We have also identified wider procurement and contract management failures in respect of specific regeneration activity. These factors have been included in wider key recommendations within the economy, efficiency and effectiveness section of this report.	R

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance (continued)

Significant weakness in relation to the erosion of trust in member / officer relationships

Key Finding: The Council has experienced significant changes in terms of governance and leadership in recent years which, together with a legacy of poor historical decisions and gaps in leadership capacity and capability, has undermined trust between members and officers.

Evidence: There has been a significant turnover in senior leaders in the organisation in recent years. There have been five regeneration directors in post since 2019. New appointments to all of the senior officer roles have been made over the last three years. There have been three changes of Council leader over a similar period. Whilst this level of organisational 'churn' has brought opportunities for positive change, it also has implications for the operation of effective leadership relationships as well as organisational memory and stability. In a broader governance context, the government has announced plans which may require the Council to move back to a cabinet system requiring the further changes in the Council's governance systems.

In undertaking our work we have reviewed documentary evidence and listened to stakeholder accounts of behaviours that indicate an erosion of trust between some members and officers in the recent past, although this is not deemed widespread. Such issues include:

- A lack of openness and transparency about plans and decision-making, particularly in relation to some regeneration projects where decision-making up to 2024/25 appears to have been reserved to a very small and informal group of political and officer leaders
- Indications that some committee members have felt pressured into taking decisions about regeneration schemes without the ability to fully explore concerns
- A lack of clarity about the boundaries between some officer and member roles
- Concerns that some behaviours have not fostered mutual respect and civility between some members and officers
- Some examples of behaviours which are described as creating a toxic atmosphere and which make the Council an unpleasant place to work in.
- A range of stakeholder concerns about the recruitment processes for senior officers which undermine confidence in the integrity of processes – we have also made an initial 2025/26 Key Recommendation about this on page 46.

Governance (continued)

Significant weakness in relation to the erosion of trust in member / officer relationships

Impact: Whilst the issues which have been brought to our attention do not appear to characterise the organisation as a whole, they do indicate that trust between officers and members has been eroded over recent years to the point where it has impacted on the effectiveness of senior member and officer relationships. There is a risk that this will reinforce a corrosive culture more widely in the organisation.

Statutory recommendation 4

SR4: The Council should take immediate steps to re-build trust between officers and members and reinforce the effective operation of its Protocol for Member/Officer Relations. This should include:

- the active involvement of the Council's most senior political leaders and officers in reinforcing and modelling behaviours which reinforce integrity and build trust
- Introduction of a development programme which rebuilds and reinforces a culture of trust between members and officers and ensures a minimum standard of mandatory training is in place to ensure member and officer roles are understood and respected
- the inclusion of effective member/officer relationships as a priority in the Council's planning for future constitutional change.

Governance (continued)

Significant weakness identified in relation to the development and approval of regeneration business cases

Key Finding: Historically, business cases for regeneration projects have not been consistent, robust and detailed about outcomes and risks, particularly in relation to any ongoing financial implications for the Council. Business cases have not always been based on the application of appropriate option appraisal techniques in line with the CIPFA Financial Management Code or HM Treasury Green Book.

Evidence: We have set out under our Statutory Recommendation 3 evidence in relation to significant weaknesses in the project business cases which included inadequate forecasting of the financial impact on the Council and optimism bias in relation to project outcomes and risks.

The original full business case for the Birkenhead Market Redevelopment scheme in March 2020 identified a business need that related primarily to the market infrastructure and under-investment. The strategic benefits identified include efficiencies in the asset estate, increased footfall and increased job opportunities. There were no specific measures relating to the outcomes or benefits – i.e. no quantification of increased footfall, financial savings, increased job opportunities, or improved use of assets. There was no analysis of the current financial performance of the market operation and the impact on the Council in terms of future returns (or subsidies). The options were short descriptions of: doing nothing, demolishing and redevelopment, and moving to alternative sites at Borough Pavements and a unit currently occupied by B&M. There were no detailed financial assessments of each of the options.

Having decided to redevelop the Market on its current site, by March 2021 the Council was considering permanent relocation of the Market to the former House of Fraser site. In October 2023 it became apparent that an option to relocate the Market to Princes Pavement was being considered and in March 2024 this option was described as 'largely de-risked' and approved at a maximum cost of £13.7m. In July 2025, following a workshop of Economy, Regeneration and Housing and Policy and Resources Committee members, it was decided not to proceed with the Princes Pavement redevelopment. At no point during the introduction of further options for relocation of the Market was the original Full Business Case re-worked for consideration.

A full business case for the Maritime Knowledge Hub was approved in March 2021. However, feedback from the Liverpool City Region Combined Authority raised concerns about deliverability, readiness, rationale and support of industry and academic partners so a second business case was commissioned from an independent organisation. Work continued to develop the project until July 2024 when the Economy, Regeneration and Housing Committee reached the view that the project was unaffordable and could not proceed. However, this conclusion could have been reached at an earlier stage with more effective initial business case preparation and a greater degree of challenge.

The construction of two office buildings; Mallory and Irvine within the Birkenhead Commercial District to a very high specification in line with the approved business plan, were completed in October 2023, with the Council taking on the full liability for the headlease of £76.6m. Under accounting standards, the arrangement was considered to be a finance lease and the assets brought onto the Council's balance sheet at the Fair Value which was deemed to be equal to the capital costs of construction. The buildings were subsequently valued at £13.2m as at the year end with an impairment loss of £62m. The buildings are currently only partially occupied. The impairment loss represents a significant financial impact where financing costs exceed the value of asset acquired.

Governance (continued)

Significant weakness identified in relation to the development and approval of regeneration scheme business cases

Impact: Weaknesses in the Council's historical approach to developing business cases have resulted in significantly higher project costs, under-performance in terms of financial and other outcomes, and project cancellations. Business cases which are thorough, robust and realistic provide opportunities for challenge at the initial approval stage, help to avoid costs being incurred on projects which are cancelled later on and enable assessment of the project's viability as well as the impact on the Council's financial position.

Key recommendation 3

KR3: The Council should adopt a robust approach to the development and approval of business cases for regeneration projects which:

- Ensures that a clear set of outcome and output expectations are identified. This should include outcomes about financial returns and the projected impact on Council Tax and/or business rates income. Where the Council intends to secure wider regeneration benefits these should be identified in advance in specific, measurable, achievable, realistic and time-bound terms.
- Ensures that funding bids are not made without sufficient project planning having been carried out. This should include professionally prepared and validated cost estimates, valuations and business plans which have been open to scrutiny, challenge and have senior management and Member approval.
- Develops detailed income and cost projections which include sensitivity analysis and scenario planning so that potential risks are fully understood and the financial implications for the Council's revenue and capital budgets are considered; and uses an appropriate documented option appraisal methodology to demonstrate the value for money of decisions.
- Ensures that any future borrowing implications for the Council include minimum revenue provision and include sensitivity analysis of the impact of potential changes in interest rates.

Governance (continued)

Significant weakness identified in relation to the senior leadership of regeneration

Key Finding: The Council's regeneration function has had five changes of director in the last four years which has disrupted the professional leadership of the service.

Evidence: The turnover of regeneration directors is symptomatic of the mismatch between the Council's regeneration ambitions and its ability to deliver those ambitions. The dominance of the regeneration agenda, within the Council, has created a highly pressured environment and huge expectations about delivery. Whilst there has been no shortage of ambition within the Council, the capacity and capability to match delivery to that ambition, has not been strong enough.

An interim appointment made to the post of Regeneration Director in 2024/25 was delegated to the Chief Executive, who consulted senior members about the appointment. The decision to appoint was made despite a technical assessment which did not endorse the candidate. This was the latest in a series of five appointments to the role of Director of Regeneration since 2019. We have identified serious failings in decision-making and performance in relation to Regeneration schemes elsewhere in this report which to some extent reflect deficiencies in the professional leadership of this function between 2019 to 2025. These findings also emphasise the need for effective recruitment to senior roles in the Council.

The Council has a core of capable and motivated staff in regeneration but the turnover in senior leadership has undermined confidence and focus. The Council will need to take this into account in addressing the recommendations in the Review of Regeneration Approach. If the Council intends to continue with its current regeneration ambitions and approach, it will need to consider the extent to which it has sufficient and appropriate leadership capacity to lead the regeneration function. Historical weaknesses in approach and the high turnover of senior officers in regeneration should inform any approach to recruitment which the Council takes.

Impact: The historical weaknesses in the approach to regeneration leadership and the frequent turnover of regeneration directors has had consequences which have impacted on the delivery of regeneration priorities. Stability in officer leadership which provides professional and strategic direction as well as appropriate advice and challenge will be necessary if the Council is to address the deficiencies in its approach to regeneration.

Key recommendation 4

KR4: The Council should ensure that it has sufficient professional capacity, capability and senior leadership available to match its regeneration objectives.

2025/26 Recommendation on Governance

Significant weakness identified in relation to the operation of arrangements for the appointment of senior staff

Key Finding: In the course of undertaking our work on 2024/25 we have become aware of a significant weakness in the Council's arrangements for the appointment of senior staff. The approach which has been taken by the Council is not sufficiently robust to ensure that appointments are made on merit and on the basis of an appropriate range of evidence. This is an initial finding for the 2025/26 year of audit which we are publishing now because we expect the Council to recruit to senior roles before we report in full on 2025/26.

Evidence: The arrangements for senior appointments are delegated to the Senior Officer and Staffing Appointments Sub-Committee (SOSAS) under the Council's Constitution. The membership of SOSAS includes leading members of all political groups. The members of SOSAS should discharge their roles in accordance with the constitution, the law and the policies, practices, processes and conventions established by the Council.

We have identified, in our reporting on 2024/25, concerns about the effectiveness of recruitment to the Director of Regeneration role and we set out, under our Statutory Recommendation 4, concerns about the impact of some reported and documented behaviours in relation to senior appointments processes including those for the recent recruitment to the interim senior roles of Chief Executive and Director of Regeneration.

We are satisfied that the SOSAS decision in respect of the appointment of the interim Chief Executive was an appropriate outcome based on merit. However, there is evidence that the process for this appointment and the unsuccessful process to appoint an interim director of Regeneration were impacted by a combination of factors including:

- the shortlisting of particular candidates known to panel members who were less well-qualified or experienced than others who were not shortlisted, including shortlisting of a candidate considered not to be appointable at the technical interview for the interim Director of Regeneration
- resistance to the use of technical interviews in the process
- the need for more effective engagement with panel members early in the process
- challenges which did not respect the boundaries of member/officer roles
- concerns expressed after the interviews about the way the process worked, including the way that candidates were scored during interview
- an increased risk that appointments may not be made on merit.

2025/26 Recommendation on Governance

Significant weakness identified in relation to the operation of arrangements for the appointment of senior staff

Impact: Senior appointments are critical for the Council to ensure that the best talent is recruited to the officer leadership roles of the organisation and the 'golden triangle' of statutory officer roles are effective. Poor appointment practices elevate the risk of unsuccessful or costly outcomes. There is a statutory duty placed on the Council to make all appointments on merit. Sector guidance is available to support the Council in adopting effective practice and undertaking due diligence to support an appointment decision. The evidence we have seen suggests the Council's approach has not fully reflected these requirements.

Key recommendation 5

KR5: The Council should ensure that its arrangements for the recruitment of senior officers are lawful, compliant with the constitution and reflect sector guidance. The Council should set out the standards and practice which should apply to future senior officer recruitment processes. This should include consideration of:

- a protocol to guide senior appointments to permanent and interim senior roles which is based on and affirms the duty to appoint on merit
- the use of independent advisors to facilitate the recruitment process in order to provide assurance about the objectivity and integrity of the process
- a requirement for all members of a recruitment panel to be trained prior to taking part in any interview process, to declare any knowledge of any candidate involved in the process and, where there is a conflict of interest, to remove themselves from the process
- the incorporation of technical assessments, other assessment exercises and input from stakeholder groups to inform and provide evidence to support recruitment decisions
- the identification of clear criteria in advance of the recruitment process which a successful candidate is expected to meet, and documentation of the decision of the panel which sets out how the panel considers their chosen candidate meets the criteria
- the preservation of all notes, scores and records of discussion of interview panel members to support feedback to candidates and to protect the Council in the event of legal challenge.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	The Council has in put in place comprehensive performance management arrangements, as evidenced by the activities of the Operational Performance Group, the adoption of a performance management framework, and the assessment of quarterly performance reports by each of the Council's Policy and Services Committees. The Council utilises benchmarking data to inform its strategic and operational planning. The Council is currently reviewing its Council Plan 2023-2027 to better reflect the financial challenges it faces and is alert to the fact this may result in amendments to adopted key performance indicators.	G
evaluates the services it provides to assess performance and identify areas for improvement	Ofsted conducted a monitoring visit of children's services following a 'requires improvement' rating in 2023/24. The inspection outcome identified further opportunities for improvement which have been incorporated into an action plan subject to oversight and governance by the Children's Service Assurance Board and the Children, Young People and Education Committee. The Council has been driving forward improvements with regards to the service provision to children and young people with SEND following adverse external inspection findings in 2021/22 with most areas of the priority actions satisfied. In January 2025, Ofsted and CQC, undertook a joint Local Area special educational needs and/or disabilities (SEND) inspection with the report identifying some remaining concerns about the experiences and outcomes of children and young people with SEND. Subsequently, a revised improvement notice has been issued to the Council and other local partners by the Department of Education (DfE), outlining priority areas of action. These factors identify that a prior year significant weakness remains, and we have updated and restated a key recommendation. During 2024/25, CQC undertook an inspection of adult social care services, and provided an overall rating of 'requires improvement', however we note the CQC grading was 59 of 100 and just below the threshold for a 'good' rating. The Council formulated a CQC improvement plan and mobilised an internal CQC assurance board to help drive forward improvement with appropriate oversight and governance provided by the Adult Social Care and Public Health Committee. (continued)	R

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
evaluates the services it provides to assess performance and identify areas for improvement	Wirral Youth Justice Service (YJS) is a statutory partnership between the Police, the Probation service, the Council and Health partners. In April 2025, an inspection of YJS was undertaken by His Majesty's Inspectorate of Probation (HMIP) and the service received an overall rating of 'good' and this is a notable outcome. The Council invited the LGA to conduct a Peer Challenge in November 2024 with the feedback report highlighting the Council has made significant improvements, yet there remains substantial financial challenges facing the organisation. The Council has responded to the LGA peer review by the development of an action plan which is subject to appropriate oversight and governance. We also understand the Council intends to provide Policy and Resources with an updated action plan once a scheduled follow up visit by the peer team has taken place, all of which provides evidence of the Council's willingness to embrace sector-lead improvement. The Council commissioned an independent review of its regeneration activities. The review findings set out a wide range of recommended actions to support improvement. The Council needs to place an organisational focus on responding to these findings and drive forward, with some urgency, practice improvements. These factors identify a significant weakness in arrangements, and we have raised a key recommendation.	R
ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	The Council places an organisational focus on securing stakeholder input to help inform and shape decision-making as evidenced by the adoption of a Consultation Policy which will support the Council to seek views in a consistent and transparent manner. The Council also operates a central consultation portal to promote public engagement in decision-making which is good practice. The Council recognisees the value of partnership working, both on a strategic and operational level, with the Council actively participating in key partnerships such as the Liverpool City Region Combined Authority, Health and Wellbeing Board, and Local Area SEND Partnership Board. The Council has also strengthened arrangements by forming a Wirral Strategic Partnership Group, with membership including anchor institutions, to help inform a shared strategic vision for Wirral which is notable practice. We have identified one area where there is an opportunity for the Council to enhance partnership arrangements even further in respect to Merseyside Recycling and Waste Authority and we have raised an improvement recommendation.	A

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
commissions or procures services, assessing whether it is realising the expected benefits	We have identified significant weaknesses in the programme management methodology applied to regeneration projects and have identified failures in the procurement and contract management arrangements relating to Birkenhead Town Centre Movement Scheme. Two key recommendations have been raised. The Council has updated its Contract Procedure Rules (CPRs), which form part of the Council's Constitution, to align to the requirements set out in the Procurement Act 2023 . The Council has in place a contracts register and has provided contract management training to officers. The Council actively participates in a collaborative procurement forum and is also currently developing initiatives to support the delivery of value through shared procurement practice. Despite these improvements the Council has yet to adopt a revised Procurement Strategy, and we have identified a need for the Council to strengthen its organisational contract management arrangements even further. The Council recognises this is an area of further improvement and we have been informed of plans to further develop this area of activity. However, the Council needs to place a significant and urgent focus on driving forward contract management improvements, within a timely manner, to support legislative and value for money considerations. These factors are set out within a key recommendation.	R

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – (continued)

Significant weakness identified in relation to services for children and young people with special educational needs and disabilities

Key finding: The Council, together with local partners, have been working to improve service provision to children and young people with SEND following adverse inspection findings in 2021/22. Our 2023/24 Auditor's Annual Report reported, in some depth, the Council's arrangements to deliver improvement following a DfE SEND improvement notice being issued to the Council and its partners in May 2024. Activities undertaken included the revision of the Local Area SEND improvement Plan (10 areas for priority action), the introduction of the Local Area SEND Partnership Board (LASPB), with new governance arrangements to strengthen the oversight of improvement activity. A further Ofsted and CQC Joint Local Area SEND Inspection was undertaken during 2024/25 which identified some remaining concerns in relation to SEND service provision.

Evidence: Following the SEND improvement notice issued to the Council in May 2024, the DFE and NHS undertook a 'stocktake review' of the Council's improvement activity in November 2024. We have reviewed the outcome of this review and note it referred to significant improvement in the strategic oversight and governance of SEND improvement, improved strategic relationships and progression in the implementation of a revised SEND improvement plan. Due to progress the majority areas of priority action were stepped down to 'business as usual' which is notable considering only 6 months had elapsed since the improvement notice had been issued.

In January 2025, a further Ofsted and CQC joint Local Area SEND Inspection was undertaken and this identified a remaining three areas of priority action as follows:

- The partnership should ensure that as a matter of urgency, effective action is taken to ensure that Educational Health and Care plans (EHCP) consistently identify and meet the needs of children and young people effectively. Ensure that the timeliness of initial EHCP, and subsequent annual reviews, comply with statutory guidance.
- The partnership should work together to develop and embed a joint framework on preparation for adulthood, to ensure a fully coordinated approach across education, health and care, to support young people with SEND as they transition into adulthood.
- The partnership should ensure that waiting times for specialist speech and language and neurodevelopmental assessments are reduced and that children and young people, and their families, consistently receive effective communication and support while waiting.

Subsequently, a revised improvement notice was issued to the Council and its partners by the DfE in June 2025, with the Council and its partners developing a refined priority action plan to drive forward further improvement. The Local Area SEND Partnership Board will assess progress against this plan monthly (including the assessment of performance indicators) with further oversight to SEND improvement being provided Wirral Health and Wellbeing Board, the Children, Young People and Education Committee, the Adult Social Care and Public Health Committee, and Wirral Safeguarding Children Partnership. (continued)

Improving economy, efficiency and effectiveness – (continued)

Significant weakness identified in relation to services for children and young people with special educational needs and disabilities (continued)

Impact: The Council continues to drive forward improvement in SEND service delivery, with particular traction noted in the last 12 months. Additionally, a further 'stocktake review' was held in September 2025 with further positive progress noted.

We also note the Council operates a dedicated website 'SENDLO' which brings together information about the local services and support available across education, health and social care for families with children and young people with SEND. This website also transparently reports the activities of the LASPB, the Local Area SEND Partnership's priority action plan, performance data and latest updates to improvement progress. These arrangement are in addition to formal reporting of SEND improvement to those charged with governance.

Despite these improved arrangements the Council, together with key partners, still need to urgently address areas of significant concern as highlighted by the most recent DfE improvement notice. A significant weakness in arrangements remains and we have updated our prior year key recommendation.

Key recommendation 6 (restated and reworded from 2023/24)

KR6: We recommend the Council, and its partners, through the activities of the Local Area SEND Partnership Board, take the following actions:

- Build on recent SEND improvement activity and push forward remaining priority actions to secure meaningful and sustainable SEND service improvement.
- Ensure compliance with DfE improvement notice requirements within set timescales.

Economy, Efficiency and Effectiveness (continued)

Significant weakness identified in relation to considerable failings in the Council's approach to regeneration

Key Finding: The Council has recognised that it has weaknesses in its approach to regeneration and has commissioned an independent report which makes 25 recommendations and sets out three stages to carry out a fundamental redesign of its approach. Having secured these independent recommendations, the Council should now move quickly to agree an action plan and to implement the changes it needs to make.

Evidence: Following a change of political leadership in May 2025, the Council commissioned its own independent review of its approach to regeneration in July 2025. The Aughton Lane report was published in October 2025, and this is a detailed review of the Council's approach over recent years which identifies "considerable failings." The report identifies specific issues and makes recommendations which are consistent with the conclusions which we have reached about the Council's arrangements, and its headline messages and recommendations provide the Council with a framework which will assist its improvement.

In particular, we draw the Council's attention to Recommendation 11 in the report which reads: "The Council needs to be more honest about its budget position when talking with key stakeholders and when commissioning advisory services, such as for a scheme design. Encouraging (or even commissioning) projects that the Council ultimately cannot afford just raises expectations that cannot be met. This needs to be actively avoided."

Impact: The Council has demonstrated that it is aware of serious shortcomings in its approach to regeneration and has commissioned a report which provides a route map for it to redesign its approach. By undertaking this redesign with pace and purpose the Council can refocus its efforts and ensure that governance practices are strengthened.

Key recommendation 7

KR7: The Council received an independent 'Review of Regeneration Report' in October 2025 which was commissioned in July 2025. The review identified "considerable failings" in the Council's approach to regeneration and set out 25 recommendations. The Council should now reflect on the key findings of the report and implement the recommendations at pace.

Economy, Efficiency and Effectiveness (continued)

Significant weakness identified in relation to regeneration programme and project management

Key Finding: The Council's regeneration programme has not always been managed effectively and in a way which is consistent with corporate practices. Project and programme weaknesses have contributed to failures in some schemes.

Evidence: The Regeneration service developed its own approach to programme management in the past which monitored and reported on its programme. However, programme reporting to Members was not frequent enough and it is alleged that at times there was pressure from senior managers not to publicly report 'red-rated' project performance and risk issues.

A Contract Governance Review of the Birkenhead Town Centre Movement Scheme was reported to the Audit and Risk Committee on 2 September 2025. The original project cost of £11.9m has more than doubled to £24.3m. The Council has therefore had to allocate a further £8m contribution to the project within its capital programme in addition to previously agreed virements of £4.75m. The Contract Governance Review has exposed significant weaknesses in the Council's arrangements to ensure that there were effective project management, oversight and approval processes and that procurement processes were compliant with the Contract Procedure Rules. Performance issues were not escalated in decision reports to members.

Impact: Our understanding is that the Council is integrating and aligning its approach to regeneration programme management with its corporate approach. We have made a Statutory Recommendation (Statutory Recommendation 2) about the need to mobilise the Council's Change Programme activity and processes and our key recommendation is made to support the alignment of the programme management approach with the overall corporate approach to programme management.

Key recommendation 8

KR8: The Council should operate a single Programme Management Office and ensure that a consistent approach is applied to the management of all projects, including regeneration projects.

Economy, Efficiency and Effectiveness (continued)

Significant weakness identified in relation to regeneration procurement and contract management

Key Finding: There were significant weaknesses in the Council's procurement processes and approach to contract management in the Birkenhead Town Centre Movement Scheme.

Evidence: A Contract Governance Review of the Birkenhead Town Centre Movement Scheme was reported to the Audit and Risk Committee on 2 September 2025. The original project cost of £11.9m has more than doubled to £24.3m. The Contract Governance Review has exposed significant weaknesses in the Council's arrangements to ensure that there were effective project management, oversight and approval processes and that procurement processes were compliant with the Contract Procedure Rules.

The early financial planning underpinning the project was inadequate and failed to take account of fees, consultancy costs and contingencies. The contracting process was undertaken prior to completion of the technical design stage and initial attempts to de-risk this for the Council were later changed so that the risk resided with the Council. The implications were not raised appropriately in decision reports and were not reported to members. Legal and procurement officers were not included in the project team and were therefore not able to advise against linking two tenders. Project monitoring reports included inaccurate cost forecasts and there were delays in escalating the issue once accurate costs were known.

Impact: The Contract Governance Review has exposed the impact of non-compliance with procurement rules and poor contract management and governance. The costs of the scheme have more than doubled. Compliance with procurement rules and good practice in contract management will improve the Council's management of contract performance and risk.

Key recommendation 9

KR9: The Council must ensure that procurement activity to deliver regeneration projects is carried out in accordance with its procurement rules and that the risk of escalation of contract costs is minimised by fully completing design and specification work before letting contracts. Contract management arrangements should include prompt reporting to Members of cost and budget variations over specified thresholds. Contract management responsibilities and change control processes should be clearly set out and adhered to.

Improving economy, efficiency and effectiveness – (continued)

Significant weakness identified in relation to developing a Procurement Strategy, supporting frameworks and the Council's contract management arrangements

Key finding: Within our Auditors Annual Report 2023/24 we included an overarching improvement recommendation relating to procurement and contract management. The Council has undertaken activity to respond to this recommendation. However, despite our prior year recommendation, the Council has yet to adopt a revised Procurement Strategy. We have also identified a pressing need for the Council to further strengthen contract management arrangements to support legislative and value for money considerations, especially in the context of the wider financial stress the Council is currently managing.

Evidence: During 2024/25 the Council has continued to develop areas of procurement and contract management practice. This included updating its CPRs to ensure adherence of the Procurement Act 2023, reporting waivers to ARMC, and providing high level training for contract managers. However, the Council is yet to adopt a revised Procurement Strategy. Additionally, the Council does not have in place a Contract Management Framework (or similar) which can help underpin a wider Procurement Strategy.

The Council has also stated it currently does not operate a risk-based contract oversight methodology that could determine the frequency and depth of contract assurance reviews based on contract value and potential impact on service delivery, a model that we have observed as good practice in other Councils.

The lack of clearly defined procurement and contract managements strategies / framework / assurance processes creates significant risk in respect of legislative compliance, responsibilities and value for money.

The Council have stated it is securing resources to develop its procurement and contract management arrangements further and we note the Council has commenced a third party spend review which will help identify areas for contract management improvement. However, there is a need for the Council to place an organisational focus on improving arrangements as internal audit, during 2024/25, identified significant contract management failures in relation to Schedule of Rates (maintenance of Council assets) and serious contract governance and management failings have been identified in relation to Birkenhead Town Centre regeneration programme, which indicates significant risk could be present in wider contract management arrangements.

Impact: The adoption of a Procurement Strategy and Contract Management Framework will further enhance the Council's procurement and contract management arrangements. These key documents will also support the Council to ensure contracts are managed effectively, efficiently, and in compliance with all legal and regulatory requirements, help clearly define roles and responsibilities (in consideration of devolved responsibilities to services) whilst reinforcing requirements set out in the newly adopted CPRs. The inclusion of a risk-based contract oversight and assurance methodology would also support the Council to effectively monitor contracts. The introduction of a Procurement Strategy and Contract Management Framework should be accompanied by comprehensive and mandatory training to all officers charged with procurement and contract management responsibilities.

(continued)

Improving economy, efficiency and effectiveness – (continued)

Significant weakness identified in relation to developing a Procurement Strategy, supporting frameworks and the Council's contract management arrangements (continued)

Key recommendation 10

KR10: We recommend the Council further strengthens its procurement and contract management arrangements by:

• Adopting, with some urgency, a Procurement Strategy and Contract Management Framework to strengthen procurement arrangements and to help ensure contracts are being are managed effectively, efficiently, and in compliance with all legal and regulatory requirements, organisational responsibilities and requirements set out in the Council's CPRs.

• Developing and embedding contract management procedures, such as a risk-based methodology, to increase corporate oversight and assurance that contracts are being appropriately managed.

• Cascade a comprehensive and mandatory training programme to all officers charged with procurement and contract management responsibilities to support the introduction of Procurement Strategy and Contract Management Framework.

Improving economy, efficiency and effectiveness (continued)

Area for improvement identified: Council partnership activity in respect of Merseyside Recycling & Waste Authority (MRWA)

Key Findings: MRWA is a statutory strategic waste and resource management authority, leading on the recycling and management of municipal waste across the Liverpool City Region on behalf of constituent Council's. The Council pays an annual levy to the MRWA, alongside other regional Council's with additional funding received from Halton Borough Council under a separate agreement with MRWA. The activities of MRWA are overseen by a Member led MRWA board. The Council's participation with MRWA is a key collaboration for the Council however limited information regarding MRWA is presented to those charged with governance at the Council.

Evidence: The Council's 2025/26 budget report set out the levy payable to MRWA as £18.8m, an increase of 4.27% from the prior year. Further explanatory information regarding the levy is published on the Council's website. The Council has nominated member representatives to attend MRWA meetings, however update reports regarding MRWA activities are not currently provided to a Committee of the Council which would further enhance transparency, oversight and governance of this key area of partnership working.

Impact: Greater transparency, oversight and governance of the Council's involvement and collaboration with MRWA would more appropriately reflect the vital role MRWA plays in the management of waste resources across the Liverpool City Region, support the Council to manage risk and opportunities relating to MRWA, whilst increasing accountability, especially in the context of the constantly evolving landscape of waste management.

Improvement recommendation 1

IR1: We recommend the Council reviews its governance and oversight arrangements in respect of its participation within the Merseyside Recycling & Waste Authority (MRWA) to ensure they are sufficient.

Pension Fund

The Council is the administering authority for the Merseyside Pension Fund. As part of our VfM work we are required to consider the Council's arrangements in respect of the Pension Fund.

We considered the Pension Fund's:	Commentary on arrangements	Rating
Financial Sustainability: sufficiency of funds to meet liabilities	An actuarial valuation of the Merseyside Pension Fund was carried out as at 31 March 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026. On the basis of the assumptions adopted, the Fund's assets of £11,001 million represented 106% of the Fund's current service liabilities of £10,370 million at the valuation date. The surplus at the valuation was therefore £631 million.	G
Governance: appropriateness of governance arrangements	Overall responsibility for the MPF resides with Pensions Committee. The activities of the Pensions Committee are supported by three working parties: the Investment Monitoring Working Party, the Governance and Risk Working Party and the Responsible Investment Working Party. The Pensions Committee met four times in 2024/25 and discussed a range of matters relating to the fund such as the MPF annual report and accounts 2024/25, audit findings reports, investment performance and governance, risk register, and performance of the Northern LGPS Investment Pool. The Local Pension Board assist the Pension Committee in the running of the MPF. The Local Pension Board can make recommendations about compliance but is not a decision-making body and met four times during 2024/25 to scrutinise the regular work and reports of the Pension Committee. We note Northern LGPS is now approved to become a Financial Conduct Authority regulated company which is a change to its governance arrangements.	
Improving Economy, Efficiency and Effectiveness: annual report findings	The responsibility for Scheme administration is met in-house by the Pensions Administration Team based within the Finance division of the Council. The Administration Team is accountable to the Pensions Committee, the Local Pension Board, participating employers and scheme members, in terms of overall effectiveness and value for money. Administration Team costs are monitored by external benchmarking. The Fund was assessed as offering 'high member service at a low cost' when considering our cost effectiveness against the fourteen other peers.	

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

05 Summary of Value for Money Recommendations raised in 2024/25

Statutory recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
SR1	We recommend the Council takes immediate and effective action to manage the financial sustainability risks it is facing and this should include: •Developing and implementing effective mitigations to support adult social care delivering to the approved budget. •Exploring opportunities to accelerate existing plans to build back reserves to a more sustainable level. •Identify additional savings plans at pace to help bridge budget gaps identified in the MTFS 2025/26-2029/30. •An assessment of planned improvements in the budget setting and monitoring process to ensure they are indeed appropriate. The Council should specifically introduce enhanced arrangements to support effective demand modelling within adult social care whilst ensuring this directorate is sufficiently supported and enabled to provide accurate budget forecasts as part of the Council's budget monitoring process. •Review the affordability of future borrowing commitments identified in the Council's Capital Programme. •Review existing arrangements for local taxation collection to ensure they are optimal. •Enhancing existing arrangements for managing key financial risks. •Ensuring that member oversight of the Council's action to address its financial challenges is optimal and reflects the significance of the situation.	Financial sustainability (pages 22-35)	Actions: Recommendation accepted with the caveat that modelling and in-year financial forecasts are not considered to be an area of concern, with appropriate levels of accuracy having been demonstrated recently – savings delivery is the required focus. Note is made of the Budget Recovery Action Plan and the subsequent strengthened member finance governance already in place following the Statutory Recommendation for 2023/24, which has been restated and re-worded here for 2024/25. The proposed actions set out below are to provide measurable impact and accelerated savings with the aim of reserve strengthening. **1. Adult Social Care (ASC) delivery to budget** • Implement an ASC Financial Improvement Plan which will include: defined governance structure, high-cost package reviews, approach to market management, continuing public health and healthcare interface controls, demand management plans and a clear commissioning savings pipeline (with cashable savings tracked monthly). • Regular directorate deep-dives to review financial early warning triggers and facilitate the formulation and tracking of agreed corrective actions. Responsible Officer: Director of Adults, Health, and Strategic Commissioning / and Finance Working Group. Due Date: April 2026. (continued)

Statutory recommendations raised in 2024/25 (continued)

	Recommendation	Relates to	Management Actions
SR1	We recommend the Council takes immediate and effective action to manage the financial sustainability risks it is facing and this should include: •Developing and implementing effective mitigations to support adult social care delivering to the approved budget. •Exploring opportunities to accelerate existing plans to build back reserves to a more sustainable level. •Identify additional savings plans at pace to help bridge budget gaps identified in the MTFS 2025/26-2029/30. •An assessment of planned improvements in the budget setting and monitoring process to ensure they are indeed appropriate. The Council should specifically introduce enhanced arrangements to support effective demand modelling within adult social care whilst ensuring this directorate is sufficiently supported and enabled to provide accurate budget forecasts as part of the Council's budget monitoring process. •Review the affordability of future borrowing commitments identified in the Council's Capital Programme. •Review existing arrangements for local taxation collection to ensure they are optimal. •Enhancing existing arrangements for managing key financial risks. •Ensuring that member oversight of the Council's action to address its financial challenges is optimal and reflects the significance of the situation.	Financial sustainability (pages 22-35)	(continued) **2. Reserve recovery** It is recognised that strengthening reserves is an important component of financial sustainability and resilience, particularly given the volatility in demand-led services and the wider economic climate. It therefore remains a commitment to achieve a general fund balance equivalent to 5% of the Council's net budget in the medium-term. However, the Council's position is clear in that reserves cannot be rebuilt by aspiration alone: reserves can only be increased sustainably by achieving and maintaining in-year financial balance and delivering recurring savings. In the current local government context, characterised by continuing real-terms funding constraint, rising and increasingly complex demand for services, with limited scope for rapid, painless cost reductions, attempting to increase reserves in an accelerated manner without a credible and deliverable route risks either setting an undeliverable plan or driving short-term actions that are not sustainable and could undermine statutory responsibilities. Accordingly, the Council's approach is to rebuild reserves as quickly as is responsibly achievable. This will be achieved through: i. Demand management, particularly in Adult Social Care, and tighter in-year control should forecasts deteriorate; ii. Accelerating the development of a robust, costed and deliverable savings pipeline aligned to the MTFP gap; iii. Reviewing the affordability and phasing of future borrowing commitments within the capital programme, with new dedicated resource to enhance oversight of capital programme delivery; and iv. Reviewing the effectiveness of local taxation collection arrangements (inclusive of a restructured Revenues and Benefits service) to protect the revenue position and reduce exposure to financing and collection risks. Responsible Officer: Director of Finance. Due Date: Ongoing via MTFP delivery. (continued)

Statutory recommendations raised in 2024/25 (continued)

	Recommendation	Relates to	Management Actions
SR1	We recommend the Council takes immediate and effective action to manage the financial sustainability risks it is facing and this should include: •Developing and implementing effective mitigations to support adult social care delivering to the approved budget. •Exploring opportunities to accelerate existing plans to build back reserves to a more sustainable level. •Identify additional savings plans at pace to help bridge budget gaps identified in the MTFS 2025/26-2029/30. •An assessment of planned improvements in the budget setting and monitoring process to ensure they are indeed appropriate. The Council should specifically introduce enhanced arrangements to support effective demand modelling within adult social care whilst ensuring this directorate is sufficiently supported and enabled to provide accurate budget forecasts as part of the Council's budget monitoring process. •Review the affordability of future borrowing commitments identified in the Council's Capital Programme. •Review existing arrangements for local taxation collection to ensure they are optimal. •Enhancing existing arrangements for managing key financial risks. •Ensuring that member oversight of the Council's action to address its financial challenges is optimal and reflects the significance of the situation.	Financial sustainability (pages 22-35)	(continued) **3. Delivering additional savings at pace** • Costed, deliverable savings plans across the MTFS time-frame to be produced with accompanying business cases, defined action owners and implementation timelines that will be tracked by Service/P&R Committees. Responsible Officer: Director of Finance to set approach & SLT members to produce proposals. Due Date: September each year. • Delivery of in-year efficiencies to be given visibility in budget monitoring reports to Service/P&R Committees to demonstrate progress. Responsible Officer: Director of Finance to set approach & SLT members to produce proposals. Due Date: 2026/27 Q1 Report **4. Budget setting & monitoring improvements** • Continue with the planned enhancements already underway (finance system/EPM maturity and revising the approach to capital monitoring, regular financial dashboards to facilitate management insight and reaction) and: budget phasing, forecast confidence scoring/RAG rating, benefits tracking, and clearer escalation routes for forecast deterioration with financial management a component of performance management/review. Responsible Officer: Director of Finance. Due Date: 2026/27 Q1 Report

Statutory recommendations raised in 2024/25 (continued)

	Recommendation	Relates to	Management Actions
SR2	The Council must urgently mobilise its change programme to develop robust savings plans that will help deliver the significant savings required to balance the budget gaps identified in the MTFS. These plans should be supported by approved business cases that identify the resources required to deliver change programme savings and the baseline against which benefits will be measured.	Financial sustainability (pages 22-35)	Actions: **Recommendation accepted.** The Change Programme was approved by Policy & Resources committee in June 2025. Since Autumn 2025 a new portfolio of transformation programmes and projects has been in development with the aim of achieving efficiencies and savings that support the Council's Medium Term Financial Plan. In January 2026, additional capacity in the form of a Director for Transformation has been brought into the Council's senior management team. The purpose of this role is to accelerate the scale and pace of organisational change as well as ensuring that all strategic programmes and projects are supported by well-defined business cases setting out clear financial benefits over the next three years. This will be achieved by modernising the Council by harnessing new digital capabilities and through the implementation of new service models that improve the customer experience whilst streamlining our systems and processes. **Proposed actions:** 1. A new Target Operating Model to improve long-term sustainability of the Council will be developed. 2. A refreshed transformation programme, including immediate savings with robust business cases and longer-term transformation, will be developed. Responsible Officer: Director of Transformation. Due Date: July 2026.

Statutory recommendations raised in 2024/25 (continued)

	Recommendation	Relates to	Management Actions
SR3	The Council should take immediate action to assess the financial risks and liabilities across its whole regeneration programme and ensure that they are properly taken into account in revenue, treasury management and capital plans. The regeneration programme should be reviewed to ensure that it is affordable, supports the Council's future financial sustainability and does not detract from the aim of working together to create a more efficient, effective and accessible Council.	Financial sustainability (pages 22-35)	Actions: **Recommendation accepted in the context of current and recent activity:** The Council is addressing legacy issues and has already commissioned independent review work, but accepts the need to urgently quantify financial exposures, strengthen controls and ensure affordability within the constrained financial landscape. **1. Whole-programme financial exposure assessment** • Create a consolidated view of regeneration commitments and liabilities (reviewing aspects such as contract variations, borrowing impacts, contingencies, grant conditions/clawback, guarantees, impairments, revenue consequences), with scenario/sensitivity analysis. The outcomes from this review to inform revenue, treasury management and capital plans. Responsible Officer: Director of Finance. Due Date: August 2026. **2. Affordability and prioritisation** • Undertake an affordability gateway review for each major scheme before further commitment with the aim of pausing/resetting/reprofiling schemes where affordability and capacity are not proven. Responsible Officer: Director of Finance. Due Date: June 2026.

Statutory recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
SR4	The Council should take immediate steps to re-build trust between officers and members and reinforce the effective operation of its Protocol for Member/Officer Relations. This should include: - the active involvement of the Council's most senior political leaders and officers in reinforcing and modelling behaviours which reinforce integrity and build trust - Introduction of a development programme which rebuilds and reinforces a culture of trust between members and officers and ensures a minimum standard of mandatory training is in place to ensure member and officer roles are understood and respected - the inclusion of effective member/officer relationships as a priority in the Council's planning for future constitutional change.	Governance (pages 36-46)	Actions: **Recommendation accepted with caveats:** It is not accepted that there are issues across all service areas. The Corporate Peer Challenge review found good working relationships between officers and members. Effective member/officer relationships are fundamental to good governance, sound decision-making and the Council's ability to respond at pace to the current financial and service pressures. **1. Senior leadership sponsorship and modelling** • Member/Officer Relations Protocol reviewed to ensure it effectively sets clear expectations on behaviours, roles/boundaries, and how concerns are raised/resolved. • Joint statement from political leaders CEO and Monitoring Officer endorsing the Member/Officer Relations Protocol. **2. Reset and reinforce the Protocol in day-to-day governance** • Practical operating guidance that supports the Protocol in respect of matters such as officer/member engagement, decision-making, handling challenge, information governance and ensures it can be used consistently across all political groups and senior management. **3. Development programme and mandatory training minimum standard** • Implement a mandatory development programme for all councillors and relevant senior managers **4. Embed as a priority within constitutional / governance change** • Ensure the Council's governance/constitutional development plan explicitly includes strengthening member/officer relationships. Responsible Officer: Monitoring Officer. Due Date: May 2026.

Key recommendations raised in 2024/25 (continued)

	Recommendation	Relates to	Management Actions
KR1	We recommend the Council places a significant organisational focus on: • Continue interventions that will support the management and mitigation of the DSG deficit, including those progressed within the former Delivering Better Value programme. Whilst satisfying itself there is sufficient oversight and governance of these specific programmes relating to the control of DSG expenditure. • Enhancing budget monitoring reports considered by the Policy and Resources Committee, so they include reference to the DSG deficit and associated treasury management and reserve implications.	Financial sustainability (pages 22-35)	Actions: **Recommendation accepted** The intention is to build on the Delivering Better Value (DBV) work already undertaken via the SEND Strategic Delivery Sub-group of the Local Areas SEND Partnership Board. Actions: • Refresh the DSG Management Plan. • Produce a DSG Workplan. Responsible Officer: Director for Children, Families & Education. Due Date: April 2026. • Establish a DSG Oversight Panel to monitor delivery of the workplan, reporting to Schools Forum and the Children, Young People and Education Committee. Responsible Officer: Director for Children, Families & Education. Due Date: July 2026. • DSG deficit reporting to be incorporated into budget monitoring reports for Policy & Resources Committee. Responsible Officer: Director for Children, Families & Education. Due Date: September 2026.
KR2	We recommend the Council completes its review of the Council Plan 2023-2027, and the refreshed strategic ambitions are embedded across the Council. This will support the whole organisation to mobilise and respond to the acute financial challenges the Council faces.	Financial sustainability (pages 22-35)	Actions: **Recommendation Accepted** Transformation Director to initially focus on a refresh of the Council Plan and development of a Target Operating Model to inform the transformation strategy that will be integral to the MTFS. A mid-point review of Council Plan delivery was reported to committees early in the 2025/26 financial year. Work to refresh the Council Plan was progressed with the new Council Leadership in summer 2025 but finalisation and approval of the refreshed Council Plan document was paused Autumn 2025 to focus management and leadership capacity on the Council's adverse in-year budget position and forecast gap in 2026/27. (continued)

Key recommendations raised in 2024/25 (continued)

	Recommendation	Relates to	Management Actions
KR2	We recommend the Council completes its review of the Council Plan 2023-2027, and the refreshed strategic ambitions are embedded across the Council. This will support the whole organisation to mobilise and respond to the acute financial challenges the Council faces.	Financial sustainability (pages 22-35)	(continued) The pause has also allowed time to review the outcome of the government's 3-year funding settlement in order to ensure that the new Council Plan can be aligned to and reflect the Council's financial realities and challenges. In light of the funding settlement, a refreshed Council Plan will be brought forward during the final quarter of 2025/26 and presented for approval at the earliest possible opportunity. The new plan will clearly articulate a refined set of priorities and target outcomes to ensure that Council resources are targeted to have the maximum impact and benefit for Wirral's communities. The plan will be supported by a performance management framework to monitor progress over time and provide accountability for a performance management culture, where any under-performance is identified quickly and corrective action put in place to turn this around. 1. New Council Plan to be published by 30 September 2026. 2. Engagement sessions will be set up with staff, to ensure everyone is contributing to financial challenges. Starting in Summer 2026 and completing December 2026. Responsible Officer: Director of Transformation. Due Date: 1. September 2026 2. December 2026.

Key recommendations raised in 2024/25 (continued)

	Recommendation	Relates to	Management Actions
KR3	The Council should adopt a robust approach to the development and approval of business cases for regeneration projects which: • Ensures that a clear set of outcome and output expectations are identified. This should include outcomes about financial returns and the projected impact on Council Tax and/or business rates income. Where the Council intends to secure wider regeneration benefits these should be identified in advance in specific, measurable, achievable, realistic and time-bound terms. • Ensures that funding bids are not made without sufficient project planning having been carried out. This should include professionally prepared and validated cost estimates, valuations and business plans which have been open to scrutiny, challenge and have senior management and member approval. • Develops detailed income and cost projections which include sensitivity analysis and scenario planning so that potential risks are fully understood and the financial implications for the Council's revenue and capital budgets are considered; and uses an appropriate documented option appraisal methodology to demonstrate the value for money of decisions. • Ensures that any future borrowing implications for the Council include minimum revenue provision and include sensitivity analysis of the impact of potential changes in interest rates.	Governance (pages 36-46)	Actions: **Recommendation Accepted** The Council will implement a formal Gateway Review framework for all major capital projects and regeneration schemes. This will incorporate the stages set out in the recommendation to ensure effective project management. It will include a comprehensive assessment of both the initial financial costs as well as the projected future financial implications of a project. This analysis will include a detailed analysis of the underlying assumptions and will be reported to the relevant committee as part of the decision-making process to ensure transparency. Responsible Officer: Director of Finance. Due Date: April 2026.

Key recommendations raised in 2024/25 (continued)

	Recommendation	Relates to	Management Actions
KR4	The Council should ensure that it has sufficient professional capacity, capability and senior leadership available to ensure that its regeneration objectives can be met.	Governance (pages 36-46)	Actions: **Recommendation Accepted** The Council is in active discussions with the LCR Combined Authority around the inclusion of key regeneration areas within a Mayoral Development Corporation. This will aid in ensuring that the necessary skills, experience and capacity are in place to undertake the extremely challenging areas of regeneration within the Borough. A revised senior management structure will be implemented that will ensure the appropriate roles are in place to support the strategic aims of the Council. Responsible Officer: Chief Executive Officer. Due Date: Ongoing.

Key recommendations raised in 2024/25 (continued)

	Recommendation	Relates to	Management Actions
KR5	The Council must ensure that its arrangements for the recruitment of senior staff are lawful, compliant with the Constitution and reflect sector guidance. The Council's practice should include: • A protocol to guide senior appointments to permanent and interim senior roles which is based on and affirms the duty to appoint on merit. • The use of independent advisors to facilitate the recruitment process alongside the Council's Human Resources function to provide assurance about the objectivity and integrity of the process. • A requirement for all members of a recruitment panel to be trained prior to taking part in any interview process, to declare any knowledge of any candidate involved in the process and, where there is a conflict of interest, to remove themselves from the process. • The incorporation of technical assessments, other assessment exercises and input from stakeholder groups to inform and provide evidence to support recruitment decisions. • The identification of clear criteria in advance of the recruitment process which a successful candidate is expected to meet, and documentation of the decision of the panel which sets out how the panel considers their chosen candidate meets the criteria. • The preservation of all notes, scores and records of discussion of interview panel members to support feedback to candidates and to protect the Council in the event of legal challenge.	Governance (pages 36-46)	Actions: **Recommendation Accepted** A protocol for recruitment will be produced addressing the recommendation made; this will be presented to the relevant committee for adoption. Currently, individual reports to the Senior Officer & Appointment Staffing Committee (SOAS) panel provide information to members on recruitment options available to them for each senior recruitment role. This information can be captured in a protocol and include reference to S7 of the Local Government and Housing Act 1989. Currently, use of independent advisers, is assessed and decisions are made on a case-by-case basis. The use of independent advisors can be included in the recruitment options provided to members as part of individual reports as above. Currently members are briefed prior to each recruitment exercise and member training is available online. The SOAS agenda at each meeting, provides for members to make a declaration of interest as a matter of course. Independent assessment can include paid for professionals to assess experience and/or technical skills. Independent assessment can also include inclusion of stakeholders from partner organisations. The protocol referenced above, can set out clearly the options available when recruiting and each recruitment process can have an officer recommendation as to what would be the recommended level of assessment for individual recruitment exercises. (continued)

Key recommendations raised in 2024/25 (continued)

	Recommendation	Relates to	Management Actions
KR5	The Council must ensure that its arrangements for the recruitment of senior staff are lawful, compliant with the Constitution and reflect sector guidance. The Council's practice should include: • A protocol to guide senior appointments to permanent and interim senior roles which is based on and affirms the duty to appoint on merit. • The use of independent advisors to facilitate the recruitment process alongside the Council's Human Resources function to provide assurance about the objectivity and integrity of the process. • A requirement for all members of a recruitment panel to be trained prior to taking part in any interview process, to declare any knowledge of any candidate involved in the process and, where there is a conflict of interest, to remove themselves from the process. • The incorporation of technical assessments, other assessment exercises and input from stakeholder groups to inform and provide evidence to support recruitment decisions. • The identification of clear criteria in advance of the recruitment process which a successful candidate is expected to meet, and documentation of the decision of the panel which sets out how the panel considers their chosen candidate meets the criteria. • The preservation of all notes, scores and records of discussion of interview panel members to support feedback to candidates and to protect the Council in the event of legal challenge.	Governance (pages 36-46)	(continued) Criteria is identified on the job description/person specification for the role. Interview questions are based on this criteria. Questions are scored and panel decision, including comments, is recorded on assessment sheets. This documentation will be extended to cover filtering and shortlisting stages of recruitment and not just apply to formal interview stages (March 2026). Currently all records are kept for 6 months as per document retention policy. Unsuccessful candidates are provided with feedback after interviews. Feedback is also used to produce Learning & Development plans for successful candidates if necessary and as appropriate. Retention of documents will also be extended to filtering and shortlisting stages (March 2026). Responsible Officer: Director of Law and Corporate Services. Due Date: May 2026.

Key recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
KR6	We recommend the Council, and it partners, through the activities of the Local Area SEND Partnership Board, take the following actions: • Build on recent SEND improvement activity and push forward remaining priority actions to secure meaningful and sustainable SEND service improvement. • Ensure compliance with DfE improvement notice requirements within set timescales.	Improvement economy, efficiency and effectiveness (pages 47-57)	**Actions:** • Complete a local area partnership Maturity Assessment. • Produce and implement delivery of a SEND Reform Plan, as per direction of Department for Education. • Refresh the Local Area SEND Partnership Board Risk Register. • Continue to deliver the Priority Action Plan through the Local Area SEND Partnership Board, with monthly oversight from Department for Education and NHS England. • Successful delivery of 6-monthly Stocktake Reviews related to Improvement Notice (March and September 2026). • Deliver the SEND Intervention Fund workplan. Responsible Officer: Director for Children, Families and Education. Due Date: April 2026/July 2026/April 2026/Monthly/March & September 2026 and April 2026.
KR7	The Council received an independent 'Review of Regeneration Report' in October 2025 which was commissioned in July 2025. The review identified "considerable failings" in the Council's approach to regeneration and set out 25 recommendations. The Council should now reflect on the key findings of the report and implement the recommendations at pace.	Improvement economy, efficiency and effectiveness (pages 47-57)	Actions: The Council has already considered this report and agreed an action plan. This was approved by the Policy and Resources committee on the 17th December 2025. Responsible Officer: Complete. Due Date: Complete.

Key recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
KR8	The Council should operate a single Programme Management Office and ensure that a consistent approach is applied to the management of all projects, including regeneration projects.	Improvement economy, efficiency and effectiveness (pages 47-57)	Actions: The centralisation of the Regeneration PMO with the Corporate PMO is currently being worked up and will be implemented from April 2026. Responsible Officer: Director of Transformation. Due Date: April 2026.
KR9	The Council must ensure that procurement activity to deliver regeneration projects is carried out in accordance with its procurement rules and that the risk of escalation of contract costs is minimised by fully completing design and specification work before letting contracts. Contract management arrangements should include prompt reporting to members of cost and budget variations over specified thresholds. Contract management responsibilities and change control processes should be clearly set out and adhered to.	Improvement economy, efficiency and effectiveness (pages 47-57)	Actions: **Recommendation accepted** Contract Procedure Rules are in place and regularly reviewed. Reports are also regularly presented to Committee to monitor procurement compliance and Contract variations. • Gateway review framework to be implemented for major capital projects, including design sign-off, procurement readiness, and risk review. Responsible Officer: Director of Finance. Due Date: April 2026. • Monthly Highlight Reports and Risk Escalation: PMO to produce monthly highlight reports, escalating key risks to SLT. Subsequent member reporting will follow highlighting cost increases and/or variations. • Clear change control processes will be articulated and adhered to, with monitoring facilitated via above-mentioned highlight reports. Responsible Officer: Director of Transformation. Due Date: In place.

Key recommendations raised in 2024/25 (continued)

	Recommendation	Relates to	Management Actions
KR10	We recommend the Council further strengthens its procurement and contract management arrangements by: • Adopting, with some urgency, a Procurement Strategy and Contract Management Framework to strengthen procurement arrangements and to help ensure contracts are being are managed effectively, efficiently, and in compliance with all legal and regulatory requirements, organisational responsibilities and requirements set out in the Council's CPRs. • Developing and embedding contract management procedures, such as a risk-based methodology, to increase corporate oversight and assurance that contracts are being appropriately managed. • Cascade a comprehensive, and mandatory, training programme to all officers charged with procurement and contract management responsibilities to support the introduction of Procurement Strategy and Contract Management Framework.	Improvement economy, efficiency and effectiveness (pages 47-57)	Actions: **Recommendation accepted** • Procurement Strategy and Contract Management Framework to be produced with a clear operating model and roles across directorates/operations set out. • Implement risk-based contract assurance methodology (value/impact-driven), with routine compliance reporting. To do this we will be using a risk-based Matrix that will assess Contracts based on risk and value to rate all Contracts Gold, Silver and Bronze. Responsible Officer: Assistant Director - Procurement and Commercial Services. Due Date: October 2026. • Training for commissioners who are responsible for contract management within services will be made available on the Council's FLO platform. • Contract Management Software Solutions to identify the most optimal Corporate Solution will be considered. Responsible Officer: Assistant Director - Procurement and Commercial Services. Due Date: April 2026.

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	We recommend the Council reviews its governance and oversight arrangements in respect of its participation within the Merseyside Recycling & Waste Authority (MRWA) to ensure they are sufficient	Improvement economy, efficiency and effectiveness (pages 47-57)	Actions: **Recommendation accepted** • Regular MRWA updates to Committee to be provided. • Quarterly updates to the LCR chief executives' group to continue to be provided. • Provide additional support to the member representative on the Board with the aim of enhancing the role. Responsible Officer: Director of Neighbourhoods. Due Date: July 2026.

06 Follow up of previous Statutory and Key recommendations

Follow up of 2023/24 Statutory and Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
SR1	The Council is in a an extremely challenging financial situation with significant financial pressures creating budget overspends combined with low levels of reserves. There is a risk that the Council will need exceptional financial support to balance the financial position in 2024/25 and to set a balanced budget in 2025/26. We recommend the Council take immediate and effective action to manage the risk and this should include: • Identifying additional savings and efficiencies to mitigate forecast overspends for 2024/25, especially in consideration of the Council's low level of level of reserves and the unfunded budget gap within the Council MTFS. (continued)	2023/24	In 2024/25 the Council overspent by £18.6m, after mitigations. The Council was required to seek EFS to deliver a balanced budget in 2024/25. A balanced budget was set for 2025/26 and included a plan to incrementally build back reserve levels. However, the latest final forecast for 2025/26 identifies further significant overspending within adult social care. This combined with a significant budget gap within the Council's MTFS, and relatively low levels of reserves, indicates the Council is still facing acute financial sustainability challenges.	Limited progress made.	We have updated the prior year statutory recommendation.

Follow up of 2023/24 Statutory and Key recommendations (continued)

	Prior Recommendation	Raised	Progress	Current status	Further action
SR1	(continued) • Ensuring the Council has the necessary organisational grip to progress the Council's planned transformation programme at scale and pace to identify budget savings and wider efficiencies. • Satisfying itself that social care services have the required focus, skills and capacity to ensure efficiency of delivery. • Reviewing the robustness and relevance of performance reports, recently introduced and planned to be introduced, to ensure these are adequate in supporting the Council to respond to the serious financial challenges it faces. • Reviewing the sufficiency of finance team resources to ensure the necessary capacity is in place to support the organisational response to the critical financial position.	2023/24	See page above.	Limited progress made.	We have updated the prior year statutory recommendation.

Follow up of 2023/24 Statutory and Key recommendations (continued)

	Prior Recommendation	Raised	Progress	Current status	Further action
SR1	(continued) • Ensuring that member oversight of the Council's action to address it financial challenges is optimal and reflects the significance of the situation.	2023/24	See page above.	Limited progress made.	We have updated the prior year statutory recommendation.
KR1	We recommend the Council to place a significant and urgent focus on developing and implementing interventions which will support the management and mitigation of the Dedicated Schools Grant (DSG) deficit. Additionally, the financial risks relating to the DSG deficit should be added to the Council's Corporate Risk Register.	2023/24	The Council has participated within the Delivering Better Value programme and identified five workstreams to help mitigate demand. However, the DSG deficit increased in 2024/25 and is forecast to grow further and reach £48m by 31 March 2026. The Council has also incurred revenue impacts of this DSG deficit. These factors combine to create financial risk to the Council. The Council have added a separate risk within the Corporate Risk Register in order that the financial risks relating to the DSG deficit can be monitored and this part of our prior year recommendation is satisfied.	Partially Implemented.	We have updated the prior year key recommendation.

Follow up of 2023/24 Statutory and Key recommendations (continued)

	Prior Recommendation	Raised	Progress	Current status	Further action
KR2	We recommend the Council needs to satisfy itself that it has the necessary organisational transformational capacity, skills and resources to ensure that the Local Area SEND Improvement Plan can be delivered in accordance with DfE requirements and is sufficient to drive sustainable improvement in SEND service provision and to mitigate associated SEND service delivery risks. We also recommend the Council ensures that sufficient performance data is regularly provided to those charged with governance in relation to the Local Area SEND Improvement Plan to enable members to effectively track level of improvement and to support effective governance of this key area of service delivery.	2023/24	The Council has continued to drive forward improvements in SEND service provision through the activities of the Local Area SEND Partnership Board. In January 2025 Ofsted and CQC undertook a Joint Local Area SEND Inspection with the report identifying remaining concerns about the experiences and outcomes of children and young people with SEND. A revised improvement notice has been issued to the Council and other local partners by the DfE, outlining priority areas of action. The Council has updated its improvement plans to align with the latest notice and work continues to improve service provision in line with the inspection and DfE requirements. We are satisfied that update reports, considered by the Local Area SEND Partnership Board and those charged with governance, include relevant performance data which partially satisfies are prior year key recommedaiton.	Partially Implemented.	We have updated the prior year key recommendation.

07 Appendices

Appendix A: Responsibilities of the Council

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

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

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

The Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council's Value for Money arrangements

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

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

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council's arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	We recommend the Council provides the Children, Young People and Education Committee with an update in the respect of the 2024/25 placement costs for children looked after and the action being taken by the Council to mitigate the further overspends in this area including increasing the availability of fostering placements.	2023/24	The Council has introduced a Care Programme initiative to mitigate against the escalating cost of providing care for children in need of help and protection. This has supported the Council to significantly mitigate service overspends and updates are regularly provided to the those charged with governance.	Recommendation closed.	None needed.
IR2	We recommend the Council provides members with an updated investment strategy report to set out the most recent commercial property valuations, the financial impacts of the valuations, and the details of planned Council activity to manage any resultant financial risks.	2023/24	The updated Investment Strategy 2025/26 including commercial property values was presented to Audit & Risk Management Committee (ARMC) in January 2025 and was subsequently presented to Policy and Resources Committee and then approved by Council in March 2025. A workshop was held in March 2025 for ARMC Members to review arrangements around Investments and valuations, with a subsequent briefing note and slides provided to ARMC Members relating to Investment Properties and non-property investments.	Recommendation closed.	None needed.

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

	Prior Recommendation	Raised	Progress	Current position	Further action
IR3	We recommend the Council clarifies the role of the Audit and Risk Management Committee in the assessment of the Council's treasury management activities and puts in place suitable arrangement to fulfil the Committee's terms of reference. This could include an assessment of the Council's draft Treasury Management Strategy ahead of adoption by full Council.	2023/24	The Treasury Management Strategy 2025/26 was presented to Audit & Risk Management Committee on 28 January 2025.	Recommendation closed.	None needed.
IR4	We recommend the Council satisfies itself that directorates are sufficiently supported and enabled to provide accurate budget forecasts as part of the Council's budget monitoring process.	2023/24	The Council has an established budget forecasting and monitoring process which has been further enhanced as part of the Council's Budget Recovery Action Plan. However. significant budget variance is still being reported within adult social care as part of the most recent forecast for 2025/26.	Partially implemented.	Elements of this improvement recommendation has now been incorporated into a wider statutory recommedaiton (1).

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

	Prior Recommendation	Raised	Progress	Current position	Further action
IR5	We recommend the Audit and Risk Management Committee endorses the proposed internal audit and counter fraud plan, before or as near to the start of the plan period, as possible.	2023/24	The Internal Audit Plan of work for 2025/26 was considered by the Audit & Risk Management Committee in March 2025.	Recommendation closed.	None needed.
IR6	We recommend the Council concludes its formal review of the Whistleblowing Policy and a revised policy is agreed by those charged with governance during 2024/25.	2023/24	During 2024/25 minor amendments were made to the Whistleblowing Policy. The Council have stated there have been no relevant legislative changes or issues arising around its effectiveness identified in 2024/25 and a planned major review of the Policy has been commenced which is to be completed before the end of 2025. We deem this sufficiently satisfies our prior year recommendation.	Recommendation closed.	None needed.
IR7	We recommend the Council reviews, updates and agree its Members Code of Conduct Protocol 2019.	2023/24	The Constitution and Standard Committee considered a revised Protocol in April 2025.	Recommendation closed.	None needed.

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

	Prior Recommendation	Raised	Progress	Current position	Further action
IR8	We recommend the Council undertakes a review, during 2024/25 of operational performance data being provided to the Council's Policy and Services Committees to: • Ensure members are provided with regular and relevant operational performance reports covering all services within the committee's remit. • Committee reports are aligned to the proposed Council Plan 2023 – 2027 performance reporting.	2023/24	The Council has in place a performance management framework to help monitor delivery of agreed KPIs against the Council plan. Each policy and service committee of the Council receive a quarterly performance report and end of year report.	Recommendation closed.	None needed.
IR9	We recommend the Council ensures the Children, Young People and Education Committee are provided with an update of the OFSTED inspection of Children's Services 2023 and this update include an appraise of progress made implementing areas of required improvement.	2023/24	The Council have informed us that the Children, Young People and Education Committee receive a regular update on progress made following Ofsted inspection, this included a full briefing session in October 2024, following the Focused Visit of September 2024.	Recommendation closed.	None needed.

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

	Prior Recommendation	Raised	Progress	Current position	Further action
IR10	We recommend the Council reviews it's arrangements in the management of internal complaints including considering measures to support adherence to key performance indicators. We also recommend the Council presents the annual review letter from the LGSCO, for each financial year, to the most appropriate committee.	2023/24	The Council are acting to improving complaint handling within the organisation. Additionally, the Council have confirmed senior officers and members receive the LGSCO annual review letter. The Council is also making arrangement for further oversight to be provided by Audit & Risk Management Committee.	Recommendation closed.	None needed.
IR11	We recommend the Council provides an update report to the Adult Social Care and Public Health Committee in respect of the service transfer from WCHCFT and for this report to include a full assessment of the financial implications of the transfer to the Council.	2023/24	The Council have considered but not taken forward this recommendation.	Recommendation closed.	None needed.

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

	Prior Recommendation	Raised	Progress	Current position	Further action
IR12	We recommended the Council further strengthens it procurement and contract management arrangements by taking the following actions: • Conclude its current review, with some urgency, to ensure the Council's Contract Procedure Rules, and the Procurement Strategy 2023, are compliant with the new Procurement Act 2023. Thereafter, conduct an annual review of the Council's Contract Procedure Rules. • Disseminate to officers, in addition to members of the procurement team, further information and guidance in relation to the new Procurement Act 2023 and any subsequent changes to the Council's Contract Procedure Rules and the Procurement Strategy 2023.	2023/24	The Council has continued to develop areas of procurement and contract management practice. This included updating its CPRs, to ensure adherence of the Procurement Act 2023, reporting waivers to the Audit & Risk Management Committee, and providing training for contract managers. However, the Council yet to adopt a revised Procurement Strategy. Additionally, we have identified significant weaknesses in the Council's contract management arrangements.	Partially implemented.	Elements of this improvement recommendation has now been incorporated into a wider key recommedaiton (10).

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

	Prior Recommendation	Raised	Progress	Current position	Further action
IR12	(continued). • Provide contract management training to relevant officers outside of the procurement team. • Report periodically (at least annually) to members matters relating to contract exceptions.	2023/24	See previous page.	Partially implemented.	Elements of this improvement recommendation has now been incorporated into a wider key recommedaiton (10).

Grant Thornton