Grant Thornton

Auditor's Annual Report Merseyside Recycling and Waste Authority

2020/21, 2021/22 and 2022/23

April 2024

Final

Contents

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

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

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.

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

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

Authorities 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 Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

Financial Sustainability

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

Improving economy, efficiency and effectiveness

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

Our commentary on the Authority's arrangements in each of these three areas, is set out on pages 17 to 58. Further detail on how we approached our work is included in Appendix B.

Value for money - methodology

New NAO Code of Audit Practice for 2020/21 onwards

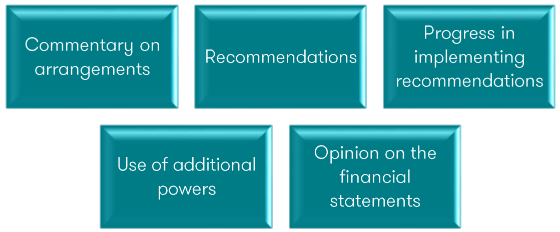
The NAO issued a new Code of Audit Practice which came into force on 1 April 2020 and applies to audits of 2020/21 onwards, and therefore applies to the period covered by this report. The key change is an extension to the framework for VFM work. The NAO has prepared Auditor Guidance Note (AGN 03), which sets out detailed guidance on what VFM work needs to be performed. The approach was developed with input from audit firms and public consultation.

Under the previous Code, auditors had only to undertake work on VFM where there was a potential significant risk and reporting was by exception.

There are three main changes arising from the NAO's new approach.

- A new set of key criteria, covering governance, financial sustainability and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VfM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

A new Auditor's Annual Report is the forum for reporting the outcome of the auditor's work on Value for Money. It is required to contain:



Audit Backstop

The Government consulted in February 2024 on a proposal to introduce a series of statutory backstops to bring the local audit system back on track. The proposals also included a series of updates to the NAO's Code of Audit Practice. Our understanding was that the necessary regulations to enact the backstop legislation were due to be laid before Parliament prior to summer recess in July 2024. This would have enabled the legislative framework which would have enabled the 30 September 2024 backstop to be implemented.

The calling of a General Election on July 5th puts this timetable in considerable doubt. Arrangements had not been finalised prior to the election and therefore there is a lack of clarity over whether arrangements will be implemented either in the present proposed form or in the previously proposed timetable. The Government elected will have to both decide if it wants to implement the backstop solution and if so, determine the timetable by which it happens. In the meantime, we continue to work on your outstanding years financial statements audits and have completed the associated VFM work, culminating in this report. The reporting covers three financial years in order to contribute to achievement of the backstop date and take advantage of efficiencies that can be gained from reporting on arrangements which have been consistent over the period. As 2023/24 represents the most recent financial year this is not covered by the backstop and so will be reported upon in 2024/25 in line with regular reporting timelines.

In relation to financial statements audits, as at the end of May, we had signed 136 audits for 2022/23, representing 65% of our local government population. We envisage achieving a 75% sign off rate by the end of September. This compares with a sign off rate for other firms at the end of May of 7% (18 audits). If the backstop is extended to the end of the year – we envisage this figure moving to 80% completion. We had signed off 81% of our 2021/22 audits by the end of May. We envisage achieving an 85% sign off rate by the end of September. Other firms had signed off 48% of audits by the end of May. As the VFM work must be completed to enable audits to be fully signed off and certified as closed, our approach to reporting multiple years in a single report is a key tool in enabling us to achieve this performance.

The current landscape

Local background

Merseyside Recycling and Waste Authority (MRWA) is the public facing name of the statutory waste disposal Authority for Merseyside (Merseyside Waste Disposal Authority – MWDA). The Authority came into being on 1 April 1986 on the demise of the former Metropolitan County of Merseyside, under a local government restructure that impacted other Metropolitan Counties. In the case of the majority of the disbanded counties their waste disposal function went to each of the constituent District Councils, which became the statutory waste collection and waste disposal authority for their area. In Merseyside these are Liverpool, Knowsley, Sefton, St Helens and Wirral Councils. In the case of Merseyside, Greater Manchester and London that statutory waste disposal function was not passed down to the constituent District Councils. Instead, the waste disposal functions in Merseyside, Greater Manchester and four areas across London were vested in separate Waste Disposal Authorities created by statute. The Authority is one of these separate statutory Waste Disposal Authorities.

The Authority is made up of 9 Councillors (the "Members") appointed to the Authority by each of the constituent District Councils in Merseyside. These Members sit as the Authority on a statutory basis and meet to take decisions on how to fulfil MWDA's waste disposal responsibilities.

The Authority has the statutory duties and powers to dispose of Merseyside's waste. The constituent District Councils have no such disposal powers, they are statutory waste collection authorities and have a statutory duty to deliver residual household waste to the Waste Disposal Authority for disposal.

As a local authority, local government law generally applies to the Authority and so it is subject to the same requirements and constraints as most other local authorities, with some exceptions. The Authority's functions are restricted to matters relating to waste disposal and it cannot assume powers and duties that go beyond this remit. The requirements to have statutory officers including a Chief Finance Officer (CFO), Clerk and Monitoring Officer are the same as for other local authorities.

The Authority receives funding in the form of a Levy which is paid by the constituent Council's which it provides services for. The Levy is a tax on Councils for the costs of disposal of waste and the Authority. The Levy Mechanism, by which the Levy is calculated and apportioned between Councils, is established by statute and is agreed by constituent Councils by consensus annually. A change cannot be made without unanimous consensus. The total cost of the Levy is product of the population and waste tonnage based costs, based on prior year actuals, with rebates for recycling undertaken by Councils outside of the Authority's contract. The total cost is then apportioned to each Council based on a combination of Council Tax Base and the tonnages delivered by each Council.

The Authority delivers it waste disposal services via two key contracts. A Resource Recovery Contact (RRC) and a Waste Management and Recycling Contract (WMRC). These are long term contracts with Merseyside Energy Recovery Ltd – MERL and Veolia ES Merseyside, respectively.

Executive summary

Value for money arrangements and key recommendation(s)

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

Auditors are required to report their commentary on the Authority's arrangements under specified criteria. 2020/21 is the first year that we are reporting our findings in this way. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the Authority's arrangements for 2020/21, 2021/22 and 2022/23 as this provides a current position of the arrangements in place and enables the Authority to take timely effective action. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	2022/23 Auditor Judgment
Financial sustainability (including financial governance)	Risk identified because of the Statutory Recommendations raised in November 2021 as a result of a lack of financial statements available to audit for 2018/19 to 2022/23	A significant weaknesses in arrangements identified and existing statutory recommendation (raised in 2021/22) is relevant to all years as a result of the historic lack of audited financial information. A supporting Key Recommendation has been raised to prioritise finding permanent capacity in the finance team to support financial statement production Improvement recommendations raised across several aspects of financial sustainability	A significant weaknesses in arrangements and the existing statutory and key recommendation remain relevant to this financial year. Improvement recommendations raised across several aspects of financial sustainability	A significant weaknesses in arrangements and the existing statutory and key recommendation remain relevant to this financial year. A further key recommendation made as a result of untimely response to the statutory recommendation. Improvement recommendations raised across several aspects of financial sustainability
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendations made	No significant weaknesses in arrangements identified, but improvement recommendations made	No significant weaknesses in arrangements identified, but improvement recommendation made
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendations made	No significant weaknesses in arrangements identified, but improvement recommendations made	No significant weaknesses in arrangements identified, but improvement recommendations made

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

Executive summary

Financial sustainability (including financial governance)

The Authority approves the annual balanced budget and Medium-Term Financial Plan (MTFP) in February each year, ahead of the start of the financial year. Expenditure is full matched by income from a levy charged to its constituent Councils, and use of reserves where required. The Authority also revises the current year budget each February to account for more up to date information. In all cases, this has resulted in an improved forecast position. Members receive the outturn position in June each year and again, in all years, this has produced a year end position better than the expected revised forecast. 2021/22 produced a deficit position, which required the use of reserves of £608k to balance the budget. This was less than anticipated and overall, over the three-year period, there was a net contribution to reserves of £1.6m despite the need to use reserves in 2021/22. There is the opportunity to review the budget setting process to improve its effectiveness, one such improvement is the use of trend analysis and scenario planning to allow the Authority to plan ahead for potential risk and uncertainties. Despite the net underspend position across the three-year period there have been overspends in specific expenditure lines observed.

The Authority does not develop a standalone savings programme each year, savings are implicit within the budget. It is clear from the positive outturn position that Managers effectively manage their budgets and deliver savings as required. In addition, the Authority plans to use reserves each year in its initial budget to meet its fiduciary and statutory objectives whilst at the same time limiting the burden that the Levy places on the individual Councils it serves. The net position, as noted, has been a contribution to reserves. There is no formal definition as to what constitutes an adequate level of reserves, but Grant Thornton's view is that reserves should be a minimum of 5% of net spending and preferably be somewhere between 5% and 10%. The initially planned reserves levels in each year have been lower than Grant Thornton would consider an appropriate minimum threshold to hold to protect against future unanticipated financial pressures (3.96% and 1.27% of net revenue expenditure in 2020/21 and 2021/22 based in the original budget). However, the outturn position each year has resulted in reserves levels being within, or ahead, of this expected minimum holding (between 8.27% and 12.63% of net revenue expenditure in 2020/21 to 2022/23).

The budget setting process is a collaborative process between the Finance Team, Members and the Directors of Finance at the individual District Councils. This ensures in all years that the change in the Levy is effectively negotiated to a level that allows all parties to meet their financial objectives.

Grant Thornton raised Statutory Recommendations to the Authority in November 2021 as a result of a lack of financial statements being produced to be audited from the 2018/19 financial year onwards. The recommendations sought to rectify the Authority controlled causal factors associated with the lack of financial statements which were a lack of capacity in the finance team to produce the required accounts and working papers, ineffective and cumbersome ledger system causing delays in information, a complex and inaccurate accounts production spreadsheet and inadequate cash reconciliation controls. Following initially unsuccessful efforts to procure the support required to increase the capacity of the Finance Team to respond to the recommendations the Authority were able to engage KPMG in June 2023 to assist with producing the delayed financial statements. Financial Statements are now available from 2018/29 to 2021/22, with 2022/23 production ongoing. This has been a temporary and costly solution, with no succession plan beyond KPMG's support having being observed, we have made a key recommendation in this regard. As the audit of the financial statements has not yet been able to be completed the integrity of the information cannot be evidenced and therefore there remains a weakness in arrangements highlighted by the original Statutory Recommendation. The recommendation remains open until the audit can be completed and results provide the assurances required to demonstrate the effectiveness of the Authority response.

Progress made against the Statutory Recommendations has been reported to Members at each Authority Committee meeting. Despite this regular monitoring the pace of response to the recommendations has been slow. This is, in part, due to the lack of availability of appropriate financial support in the market. However, a lack of detailed action plan with sufficient information to enable Members to hold relevant officers to account would have been beneficial in effectively monitoring progress. There is evidence reporting to members has taken place, but further work is required to ensure sufficient detail in these plans to make them effective in their aim – including clear milestones, broken down into smaller tasks to work towards the recommendations and assigned to responsible individuals to allow accountability. We have made a key recommendation in this regard.

Executive summary

Governance

The Authority manages risk through its Corporate Risk Register, supported by a formal Risk Management Strategy which provides guidance as to the roles, responsibilities and approach. The strategy is dated 2018/19, key policies such as this should be updated every 3-5 years and therefore it remains relevant for the period. The Authority should consider reviewing this in 2023/24 to ensure it remains fit for purpose. The Management Team work with department Managers to identify and score risks, the Management Team take responsibility for monitoring and updating the Risk Register throughout the year. Members do not have formal oversight of the Register via their Committee meetings. There is evidence risks are reviewed outside of Committee meetings, by management. The number of risks is high in comparison to our expectation for an Authority of this size (the number is comparable with a large London Borough Council) and other similar authorities, we have also noted some risks relevant to the Authority's activities that we may expect to be considered not included. As such we believe that risk management is an area that could benefit from improvements, however no weakness in arrangements has been identified as there is evidence that risks are being managed in practice.

The Authority are supported in their management of risk by St Helens Council who provide Internal Audit services. In 2 of the 3 years our VFM work covers the Council has not been able to substantially complete the planned audits for the year (2020/21 and 2022/23). This has been due to the impact of additional, higher priority, audits being undertaken as a result of emerging issues. Where audits are not completed in the year as planned they are included in future audit plans to ensure sufficient coverage of operations on a cyclical basis, however the scope of coverage in each individual year is narrow as a result. Overall Authority performance against Internal Audit Reviews is positive, with only one limited assurance report across the 3 years. Recommendations limited and when raised are responded to in a timely manner and the overall Head of Internal Audit opinion each year is of positive assurance.

The Members of the Authority are elected Members in each of their constituent District Councils and are appointed to the Authority by their respective Councils. Members meet 5 time per year via the Authority Committee. Average attendance rates over the period are 73% and although all meetings are quorate to allow for effective decision making there are instances where some Councils have no representatives present and budget setting meetings, which are of significant importance, are not attended in full. The Authority has taken actions to work with the Councils to foster greater engagement and improve attendance, this is evidence where the actions are within the Authority's control.

St Helens Council provide a range of other services to the Authority, aside from Internal Audit, such as their ledger. In August 2023 the Council was subject to a ransomware attack. Throughout the incident the Chief Executive of the Council was in communication with the Chief Executive of the Authority to provide updates. Members were updated informally to respect the sensitivity of the incident and they were provided with appropriate assurances over the integrity of the Authority data and lessons learned. The Authority have received confirmation that there has been no loss of their data.

Improving economy, efficiency and effectiveness

The Authority sets out its current priorities and future objectives in its Corporate Plan. The overarching vision within the Plan is to reduce the impact of the Authority's actions on climate change and improve the sustainable management of waste and resources, this is achieved by setting 4 objectives known as Corporate Aims. In order to determine whether the Corporate Aims are being successfully achieved the Authority develop a Service Delivery plan each year which translates the aims into tangible actions. This delivery plan is monitored quarterly by the Management Team and annually by Members. The Authority has reported at least a 95% completion rate across the 3-year period. We have noted some improvements to the Plan that could be considered include ensuring the actions within it are SMART (Specific, Measurable, Achievable, Relevant and Timebound) and that the outcomes being reported are aligned to supporting information such as the budget.

The Service Delivery plan monitors strategic performance, in addition the Authority has a data Management Team who support them with monitoring operational performance via a series of KPIs. These focus on operational outcome such as recycling rates and residual waste tonnages. These are published annually on the Authority website but there is limited evidence of oversight by Members. The published information provides details of performance at a point in time but to be most effective in its use to decision makers the Authority should consider making improvements to KPI reporting, with the overall aim of developing a set of meaningful KPIs which reflects the nature of the organisation. Considerations could include targets, comparative years information and benchmarking against national averages or other authorities, although this is not an exhaustive list and updates should be made in the context of the organisation specifically.

Executive summary

Improving economy, efficiency and effectiveness (continued)

A key metric which provides information regarding performance is recycling rates. Historically there has been an EU target for the UK to recycle at least 50% of household waste by 2020. More recently, The government's Circular Economy Package (July 2020) includes a target to recycle 65% of municipal waste by 2035. The Liverpool City Region is performing below the national average and these targets (although the Authority controlled targets are not). In addition to the savings benefits of increasing recycling rates from lower residual waste volumes, an increase in recycling rates could reduce load on the Energy from Waste faciality, permitting the contractor to sell additional capacity which would in turn permit the councils to benefit, via a gain share mechanism, in the increased revenue flowing to the Authority. As such it is important that the Authority work with partners in the Liverpool City Region to prioritise improvement in this area.

Despite the net underspend position across the three-year period there have been overspends in specific expenditure lines observed. The largest underspends at outturn and downward budget revisions are consistently seen within the Behavioural Change Programme in the individual years covered by this report. The Programme aims to use educational tools to positively impact recycling trends and waste related behaviours from residents in the region. Therefore, underspends could suggest a lack of investment, but are also set against a backdrop of the Covid-19 pandemic in some of the years in question, meaning that public facing activities were more difficult, and periods of high staffing turnover was an issue for some of the periods. The programme has continued to be developed. This area of underspend has been observed concurrently with a decline in recycling rates. As such investment in the capacity of this programme is key to enabling the Authority to meet both its financial and non-financial objectives simultaneously.

The Authority facilitates the disposal and recycling of waste via two main contracts which are long term in nature. As such there has been limited procurement activity at the Authority and no procurements of a significant nature in the period. Despite this the Authority does have the underlying procurement processes and governance arrangements in place should a procurement exercise be required. Internal Audit undertook a review of Procurement in November 2022 which received Limited Assurance and therefore requires improvement to ensure controls are designed and are operating effectively and consistently. The governance arrangements themselves were found to be fit for purpose however several examples of non-compliance were identified leading to the rating. Following the Internal Audit review the Authority commissioned an external consultancy to undertake analysis of the Procurement System to pinpoint specific improvements that would respond to the Internal Audit recommendations. The recommendations from both exercises have been accepted by the Authority and will be taken forwards, lead by the Chief Executive. It would beneficial for Members to have oversight and hold relevant officers to account for their response to the recommendations. It is vital that the Procurement process is robust as the Authority will be undertaking a significant procurement process in the medium term to renew or replace their Waste Management and Recycling Contract (WMRC) with Veolia ES Merseyside which ends in 2029.

Members at the Authority declared a climate emergency on Friday 18th October 2019 whilst simultaneously agreeing to develop a new Zero Waste 2040 Strategy and an Action Plan for Resource and Waste Management at the earliest opportunity. The Authority developed its initial Climate Change Plan in 2020 and this has since been reviewed and updated in 2022. Updated Plan continues to build understanding through research, observed in the 2020 Plan, but demonstrates a shift in focus towards developing programmes and resources to respond. In the medium-term the Authority will need to ensure that projects included in the Plan are reflected in the revenue and capital budgets. Alongside their own internal Climate Change Plan, and other environmental based policies, the Authority has developed the Zero Waste Strategy 2040 with the Liverpool City Region. Next steps will be the translate this into the Authority's own Zero Waste Strategy that is aligned to the regional Strategy. This provides an opportunity for the Authority to streamline and consolidate its existing plans to reduce duplication.

The Authority is part of the Liverpool City Region Strategic Waste Management Partnership, whose purpose is to collectively address regional waste management issues and provide a single voice on waste management affairs. The Authority has been part of the Partnership since January 2022 and is therefore represented at its quarterly meetings. Areas of particular consideration include implications of new waste management legislation, housing growth, the environment and climate emergency and the financial pressures on regional waste management.

In 2016 the District Councils of the Liverpool City Region (LRC) commissioned Local Partnerships to undertake a strategic review of waste management within LRC, this has been followed up in August 2023. The follow up report notes progress in terms of collaboration but does not imply an inevitable move towards the most highly collaborative models suggested in the review – structural changes or a single Liverpool City Region Waste Management Authority. Therefore, the updated review retains its previous recommendations and overall supports more joint working for greater efficiencies

Use of auditor's powers

We bring the following matters to your attention:

	2020/21	2021/22	2022/23
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly	Statutory recommendations were made in November 2021 as a result of findings during our financial statements audit. The issues are retrospective and relate to issues in producing accounts for audit since 2018/19 and so are relevant to all years covered in this report. See pages 12 to 14 for details of the recommendations made. These have been followed up as part of our work. Efforts have been made to address but a weakness remains until the audit of the accounts is completed and a more permanent solution is identified to provide additional capacity within the finance team.		
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 have not issued any such reporting	We have not issued any such reporting	We have not issued any such reporting
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We have not made any such applications.	We have not made any such applications.	We have not made any such applications.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We have not issued any such notices.	We have not issued any such notices.	We have not issued any such notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We have not made any such applications.	We have not made any such applications.	We have not made any such applications.

Statutory recommendations

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

Financial sustainability

Statutory Recommendation 1	**Financial Statement Production** Grant Thornton raised Statutory Recommendations to the Authority in November 2021 as a result of findings during our financial statements audit work. The recommendations were raised as a result of a lack of financial statements being produced to be audited from the 2018/19 financial year onwards. The recommendations covered four key points: 1. The Authority should put in place arrangements to address the weaknesses identified within the finance team, in our view the Authority should increase the budget available to enable it to obtain CIPFA Qualified technical support to assist in the resolution of the prior year account issues and also accounts preparation in future years. This should help to ensure robust processes are brought into place for the Authority's financial reporting responsibilities and reporting requirements. It should also ensure that there is sufficient capacity within the finance team to respond to audit information requests and queries in a timely manner. This should include quality control and oversight functions 2. The Authority should implement a cash reconciliation reconciliations control 3. The Authority should evaluate options for creating a ledger coding structure that is more reflective of the activities of the Authority. 4. The Authority should report progress against the action plan (to respond to the recommendations) to full Authority at every meeting The recommendations sought to rectify the causal factors associated with the lack of financial statements which were a lack of capacity in the finance team to produce the required accounts and working papers, ineffective and cumbersome ledger system causing delays in information, a complex and inaccurate accounts production spreadsheet and inadequate cash reconciliation controls. The progress against each recommendation is detailed on pages 12 to 14. Actions have been taken to respond and financial statements have now been produced and made available for 2018/19 to 2021/22, with 2022/23 remaining in progress. The financial statements were produced and received in the 2023/24 year, in line with a revised timetable agreed with the Audit Team. The audit for the financial statements remains ongoing for all years from 2018/19 onwards and therefore assurances on the integrity of the information, on which financial decisions are based, cannot yet be verified. The statutory recommendation remains open and relevant until it can be fully addressed, which will be evidenced by audited financial information for 2018/19 onwards.
Audit years	2020/21, 2021/22 and 2022/23
Why/impact	Without audited financial information Members and Officers do not have appropriate assurances over the integrity and accuracy of the financial information. As such their ability to make reliable financial decisions may be impaired until these assurances can be provided,
Management Comments	In terms of the statutory statement production – there is encouraging progress. The independent accounting firm KPMG is in place to provide support for the Authority. The Cash reconciliation (originally and confusingly referred to as a bank reconciliation) is in place and is effective, the transition to a new accounting system (AGRESSO) at the service provider has given the opportunity for a full review of the ledger coding structure, progress has been reported regularly to Members.

Statutory recommendations

Grant Thornton issued Statutory Recommendations in November 2021 as a result of findings from their financial statements work, these have been followed up in the course of our work and summarised below.

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The Authority should put in place arrangements to address the weaknesses identified within the finance team, in our view the Authority should increase the budget available to enable it to obtain CIPFA Qualified technical support to assist in the resolution of the prior year account issues and also accounts preparation in future years. This should help to ensure robust processes are brought into place for the Authority's financial reporting responsibilities and reporting requirements. It should also ensure that there is sufficient capacity within the finance team to respond to audit information requests and queries in a timely manner. This should include quality control and oversight functions	Statutory	November 2021	In order to seek additional CIPFA qualified support initial discussions were held with colleagues in other partner local authorities regarding capacity or appetite to provide additional support to enable the statement of accounts to be brought back on track. Discussions with local authorities, agencies and in particular with a contractor who has provided occasional financial support to the Authority in the past, were unsuccessful due to a significant shortage of CIPFA qualified people available to support local authorities. The need to recruit additional resources, on a consultancy basis, to provide interim support was recognised. A tender exercise was undertaken, which gained 130 expressions of interests, but this generated no offers of support, ultimately. Immediately following the recommendations being made one of the Authority's staff was given the opportunity for professional development and began training with CIPFA, with a view to completing their accountancy training as a fully qualified CIPFA accountant. This ensures appropriate skill level but does not solve the capacity issues highlighted. This training remains in progress due to the time requirement required to complete. As a result of the challenges faced in rectifying the capacity issues the accounts preparation remained behind plan throughout the period covered by our Value for Money work. In June 2023 KPMG agreed to provide suitable accountancy support that has enabled the Authority to meet the deadlines set by the auditor of the end of August 2023 for the Authority to provide auditable statements of accounts for 2018/19 and 2019/20. Accounts for 2020/21 and 2021/22 are also available on the Authority website as of October 2023 and working papers have been provided to support the accounts. However, given these were provided in the 2023/24 year, within the years covered by our VFM work this element of the statutory recommendation remains unaddressed and continued to be recognised as a weakness in arrangements in all years.	Partially - a temporary support solution has been identified in order to rectify the historic accounts preparation issues.	The statutory recommendation remains open and we have raised a supporting key recommendation to ensure a permanent solution is prioritised to provide capacity in the finance team, or external support is obtained, which is sufficient to support future accounts preparation.

Statutory recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	(continued)			KPMG support has been successful in producing the accounts required to catch up with the backlog of prior year accounts however is not a long term solution. There is not yet evidence of a succession plan beyond the current support being provided and so a weakness continues to exist in arrangements until a more permanent solution can be identified.		
2	The Authority should implement a cash reconciliation reconciliations control	Statutory	November 2021	Cash management is not managed by the Authority itself but is managed alongside Treasury Management by St Helens Council. The Council provide cash flow reconciliations at the year end, but this is not a matter that is actively managed by the Authority. The recommendation encouraged the Authority to implement a control in order to reconcile cash in the ledger, cash provided by their Service Provider (St Helens) and the accounts, as this was not present. Further discussion with officers highlighted that this issue was identified due to a complex spreadsheet being used to create the accounts, with which issues were also identified and highlighted in the recommendations. An incorrect cash figure within the spreadsheet used for the accounts and was later clarified. The Authority have since manually reviewed and updated the spreadsheet as part of the response to the statutory recommendations. Immediately following the recommendations being made meetings were held with the service provider to ensure that records are shared and the Authority is able to complete its own independent verification of the cash reconciliation. Although there has been an immediate response to this element of the recommendation until the accounts are audited for all years it cannot be verified as accurate. Accounts were provided to audit in the 2023/24 year and the audit is ongoing, as such the recommendation remains open until this is complete. This forms part of our weakness in arrangements.	Yes	Statutory recommendation remains open until the accounts produced can be audited and the effectiveness of the solution verified.

Statutory recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
3	The Authority should evaluate options for creating a ledger coding structure that is more reflective of the activities of the Authority.	Statutory	November 2021	The issues identified in the financial information systems used to support the production of the statement of accounts have been relayed to the Authority's service provider, St Helens Council. The provider confirmed their commitment to reviewing, and replacing, the financial information system. The Authority has asked to be a part of a working group to relay the particular requirements of the Authority in this process. We note that St Helens are upgrading their system to Agresso and including the Authority in this change. This is expected to have a positive impact in relation to the system issues identified but not expected to be in place until 2024. The Authority also use a complex spreadsheet in order to facilitate accounts production, which translates the ledger information into the format required for accounts and working papers. Errors were found in this which led to the raising of the recommendation. The spreadsheet has been reviewed by officers and much simplified, so that the production of the accounts and the support for the auditor are made easier to follow. This was a manual exercise breaking the links which were impacting accuracy, it has been time and resource intensive for the finance team and still requires checking to ensure issues do not continue. As such although the recommendation has been responded to the spreadsheet does still require additional resource to be effective nor can its accuracy be verified until the completion of the audit of the accounts which it supports, this remains ongoing.	Yes	Statutory recommendation remains open until the accounts produced can be audited and the effectiveness of the solution verified.
4	The Authority should report progress against the action plan (to respond to the recommendations) to full Authority at every meeting	Statutory	November 2021	The Authority has reported on the progress of the recommendations at all meetings of Members in 2022 and to 4 of the 5 committee meetings in 2023 - this is sufficient oversight. The meeting it is not reported at was used to focus on the budget setting process.	Yes	No

Key recommendations

Financial ggovernance

Key Recommendation 1	**Lack of Permanent Finance Team Capacity** A lack of capacity in the finance team has been identified as a key cause in the backlog of financial statement production, going back to 2018/19. Support was gained from KPMG in June 2023 to support financial statement preparation, following unsuccessful earlier attempts to increase capacity in the finance team or gain temporary support. This fulfils the part of the November 2021 Statutory Recommendation aimed at rectifying the historical backlog of financial statements. Financial statements have now been produced and made available for 2018/19 to 2021/22, 2022/23 remain in progress. No succession plan is in place for finance team capacity beyond KPMG's current support, which is a temporary measure. This support also comes at a cost to the Authority. As such, we recommend that the Authority prioritise finding permanent capacity within the finance team , either through internal or external support, to facilitate future financial statements. This capacity will also be vital in ensuring that the financial statements that have been produced can be audited, with appropriate support from the finance team for queries, to enable assurances to be provided and the information to be relied upon.
Audit years	2020/21, 2021/22 and 2022/23
Why/impact	Timely, accurate and audited financial statements are vital in ensuring sound financial governance. Lack of capacity could lead to future backlogs, rendering financial information outdated, unreliable and without effective assurances.
Management Comments	The Authority has a member of staff training to quality as a CIPFA accountant. The member of staff is more than half way through the qualification and will provide increasing levels of support both before and after qualification. The Authority has always maintained a budget to provide for additional support to the finance team where need arises. During this period the Authority has also engaged with KPMG to provide support during the production of accounts and support for audit.

Key recommendations

Financial ggovernance

Key Recommendation 2	**Timeliness of Response to Statutory Recommendations** Statutory Recommendations were raised by Grant Thornton in November 21 (2021/22 year). Although Members have been kept effectively updated with the progress of the response at each Committee meeting the recommendations are yet to be responded to in full. This has been predominantly due to a challenging market for CIPFA qualified accountants and capacity for temporary support being limited. The progress updates provided to Members constitute the action plan in place to respond to the recommendations. The updates cover all aspects of the recommendation in narrative form but do not include useful details such as individual actions or milestones for each recommendation, target dates and responsible individuals. A detailed action plan including these details would provide Members with appropriate information that would assist them in scrutinising progress and holding individuals to account. As such the action plan itself could be more effective, ultimately improving the pace of response as interventions to improve progress could be taken in a more timely manner. A slow response rate has also been noted in relation to the Grant Thornton interim VFM work for the Liverpool City Region partners, including the Authority, from September 2022 which per 'Follow Up of Prior Year Recommendations' (pages 59-66) is still largely in progress. We do note progress in many areas where the Authority can control the response and further response is still required from the region as a whole. The Key Recommendation therefore relates to timeliness of response where the Authority can control the action taken, with an acknowledgement that as a partner in the Liverpool City Region they play a role in the collective response. In order to ensure there is a timely response to recommendations from external reviews, including external audit VFM and Statutory Recommendation work, we recommend that the Authority ensure it develops detailed action plans to assist Members in effectively holding relevant officers to account for the actions they have committed to achieve at key milestones.
Audit years	2022/23
Why/impact	Robust underlying governance arrangements, in the form of detailed action plans, will ensure that the Authority can respond to recommendations in a timely manner and ensure improvements can begin to embed.
Management Comments	The Authority has kept Members informed of progress against the statutory recommendations made in respect of the financial reporting. It is accepted that initially some of the progress was slow, but at all stages the audit team were informed, particularly where repeated and diverse attempts were made to secure additional support from external financial service providers (indeed external audit commented on the tender for those services at one point – which received over 100 expressions of interest and garnered no actual bids). Elsewhere, the Authority can do little to ensure District Council partners complete their own response to recommended actions. However, it may be relevant to point out that work over the last two years in the Joint Waste Partnership is generating some better joint working than may have been the case previously.

Financial sustainability

We considered how the Authority:

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

Financial Performance

The Authority sets it budget ahead of the financial year and approved by Members in February each year. As with local authorities the Authority is required, by statute, to set a balanced budget each year. Therefore, its expenditure is matched in full by income from a Levy charged to its constituent Councils, and use of reserves where required.

The Authority set a balanced budget in all three years covered by our Value for Money (VFM) work. The Authority revises its budget in the following February, ahead of the year end, to reflect the known financial position of the previous 10 months. In each case a forecast balanced budget position was maintained with no change to the Levy, the updated position impacting the planned use of reserves in each case.

In each of the three years the outturn position has been an improvement on both the initial planned budget position and the revised budget position (Table 1). In 2020/21 and 2022/23 this resulted in a contribution to reserves. 2021/22 was a deficit position which required the use of reserves to breakeven, however the deficit was much lower than anticipated and lower than the contribution to reserves in the preceding and proceeding financial years – overall a net contribution position for the period.

Table 1

Financial Year	Original Budget Position	Revised Budget Position	Outturn
2020/21	£0.502m	(£2.300m)	£0.509m
2021/22	(£2.755m)	(£1.900m)	(£0.608m)
2022/23	(£3.125m)	£0.612m	£1.700m
Net Position	(£5.378m)	(£3.588m)	£1.601m

The 2021/22 financial year is the only year where the outturn position was a deficit and therefore, overall, finances are well managed. The largest overspend was a result of contract payments based on the level of waste (tonnages) received by the Authority to process being higher than anticipated by £270k. The remainder of the deficit was a result of several smaller overspends, exacerbated by the impact of Covid-19, and therefore not an indication of a lack of financial control by the Authority. As demonstrated by Table 1, this was quickly recovered in the following year. Although and overall surplus was achieved in most years, within this position there were several recurring overspends which were off-set by above target performance in other services. A key area of consistent overspend was in the Behavioural Change Programme (BCP) which is explored in the 3E's section.

Budget and Medium-Term Financial Plan (MTFP)

As stated, the Authority is funded by income in the form of the Levy it sets and receives from the Councils it disposes and recycles waste for. The setting of the Levy, as well as estimates of the Authority's expected expenditure, are the key bases which the budget is built around.

The Levy mechanism (i.e. how the Levy is divided amongst Councils) must be accepted unanimously by the constituent Councils. We have observed evidence of a collaborative and communicative approach taken by the Director of Finance with Directors of Finance at each Council in order to achieve this agreement There have been increases in the Levy each year - 3.4% in 2020/21, 0.11% in 2021/22, 1.74% in 2022/23. For 2023/24, a decrease in the Levy has been achieved of 0.12%. In each case, the Levy initially proposed was much higher but liaison between the Authority and Council Directors of Finance has resulted in an acceptable figure to all parties, this has been achieved due to planned use of Authority reserves or additional financial support from the Councils themselves. Due to the apportionment of the Levy between the Councils, the increase may not impact all Councils equally.

Financial sustainability (continued)

The levy is apportioned based on the 'Polluter Pays' principle and therefore is based on the waste tonnage and population metrics of each Council. This is accepted at the start of the year by each Council, and we have not observed any issues with the Levy being accepted or paid in full by each Council.

Of note in the 2021/22 year was the provision of additional funding from the Councils in relation to Covid-19. Local authorities received additional grants from central government to support them in responding to the pandemic, however the Authority were not eligible to receive this additional support. As such the Authority and the Councils worked together to identify one-off costs to the Authority associated with the pandemic and transferred funding to support the response to these, so as not cause the Authority to need to rely more heavily on its reserves to limit the increase in the Levy. This is evidence of a strong collaborative relationship enabling all parties to achieve their financial objectives. One of the objectives of the Authority is to be able to fulfil its statutory and fiduciary duties whilst not overburdening local authorities with increases in the Levy, there is evidence this has been achieved.

When estimating expenditure each year, the Authority makes a series of assumptions, these are consistent in each of the financial years we have reviewed:

- No inflation unless contractually unavoidable
- 2% pay inflation increase – as offered through national pay bargaining.
- That contingency sums are minimal

Most of the Authority's expenditure comes from its two main contracts - the Resource Recovery Contract (RRC) which disposes of residual waste and the Waste Management and Recycling Contract (WMRC) which focusses on household waste recycling, materials recovery facilities and food waste processing. Estimates for the costs of the contract included in the budget each year are based on the tonnage levels the Authority expects to receive from Councils of the different types of waste and recycling, over and above a minimum level included in the contracts. The Authority uses prior year tonnage data to make the estimates but can update the budget as new and known tonnage data becomes available in February each year. The vast majority of the budget expenditure relates to waste tonnages and these are not predictable on a straight line basis. In particular there are a number of challenges arising from the statutory proposals that will both have an impact and be at times very difficult to predict.

Table 2 demonstrates that in each year the variance is smaller between the outturn and revised budget for each contract than it is between the outturn and the original budget. Since the Levy charged to Councils is determined by the original budget set it is important to consider the reliability and how realistic the estimate of that expenditure is. Although the budget is revised for more accurate contract and tonnage data this does not result in changes to Levy charged, instead it helps the Authority to build up reserves. These reserves are ultimately used to manage Levy increases in future years and so indirectly benefit the Councils.

Table 2a – WMRC Contract

	20/21	21/22	22/23
Original Budget	25,754	27,713	26,522
Revision	23,631	26,268	24,806
Variance	-8.24%	-5.21%	-6.47%
Outturn	22,777	26,422	24,272
Variance	-3.61%	0.59%	-2.15%
Variance (From Original)	-11.56%	-4.66%	-8.48%

Table 2b – RRC Contract

	20/21	21/22	22/23
Original Budget	41,024	42,408	44,737
Revision	46,791	42,603	42,584
Variance	14.06%	0.46%	-4.81%
Outturn	45,555	42,719	43,223
Variance	-2.64%	0.27%	1.50%
Variance (From Original)	11.04%	0.73%	-3.38%

Financial sustainability (continued)

Table 2c – Total Contracts

	20/21	21/22	22/23
Total Variance (Both Contracts)	2.33%	-1.40%	-5.28%

In 2021/22 and 2022/23, the Authority has been over-prudent in its assumptions related to costs and tonnage estimates of each contract, had the estimates been more accurate at the setting of the original budget this saving could have been reflected in the Levy calculation. Therefore, for future years the Authority may wish to explore ways it can increase the accuracy when forecasting its tonnage assumptions (Improvement Recommendation 1).

The Authority revises and sets its MTFP each year alongside the annual budget setting process. The MTFP covers a 3-year planning horizon, including the year the annual budget is being set for. For example, the 2020/21 MTFP includes financial plans for 2020/21, 2021/22 and 2022/23 and this approach is consistent throughout the period covered by our VFM report. The CIPFA Report 'Looking Forward' suggests that a 3–10-year planning horizon is most effective, with the caveat that the longer the horizon the more uncertainty is present in the estimates. Longer term planning horizons are more appropriate for organisations involved in long-term procurement processes, for example. The Authority makes plans at the lowest end of this threshold and given that the 3-year forecast includes the current budget year the medium-term outlook is limited to 2 years. In order to aid decision making which aims to protect the medium-term sustainability of the Authority it may be beneficial to extend the time frame which the MTFP covers. The associated District Councils with which the Authority works, and depends upon for income, plan on a longer horizon and therefore consistency would beneficial.

As noted later in the report, a key contract is due to end in 2029. Discussions have commenced in relation to the procurement planning and although these are in very early stages and there is still much uncertainty the Authority may wish to extend the MTFP planning horizon in future years, as the end of that contract comes into the medium-term picture, to factor in the impact of these discussions. (Improvement Recommendation 1).

Savings

Unlike many local authorities the Authority does not set a specific savings target, by value or percentage, which departments must make each year to balance the budget. Savings are implicit within the budget and budget setting process each year and are not set out or monitored as a separate item. An expenditure target is set, following the finalisation of the Levy agreement with Councils, since the two are inextricably linked. This expenditure target is set at departmental level and Managers strive to meet their target each year. Managers manage their departmental budgets throughout the year and monitor these via Quarterly Budget Monitoring reports shared with the Management Team. The Authority accepts that they provide a 'demand led' statutory service and therefore must dispose of the collected waste delivered to them, in whatever volume, the same is true for the volumes that the public deliver to the HWRCs. As such there is limited scope for large scale saving programmes.

In each year, the outturn position is more positive than the original budget and the revised budget and therefore shows that Managers are successfully managing their expenditure budgets, and the savings they must make within these, to produce a successful outturn position. Therefore, although savings are not set, or monitored, at individual scheme level budget management is effective based on the outcomes observed.

Outturn information in each financial year notes favourable variances when compared to revised budgets for individual budget line items. These are most common in Establishment, Closed Landfill Management, Rents and Rates and Strategy all as a result of specific savings such as administration costs, maintenance costs and a strategy update that have been made. Therefore, it is clear savings are being sought and successfully delivered within the budget set.

As part of the 2020/21 budget setting process, and into 2021/22, the Authority undertook a Strategic Review of Waste Collection and Disposal. This highlighted that the contracts the Authority has in place are effective and therefore possess limited opportunity for efficiency savings, and in general larger scale savings within the region would require a greater level of partnership working.

Financial sustainability (continued)

Reviewing how services are delivered, where and who by does not address the underlying issue, that by far the largest part of the Authority's costs come from the amount of waste generated, which is outside the Authority's control. Simply withdrawing services is unlikely to have the required effect as in most cases the waste does not disappear, it will have to be treated at some point and can add significantly to the costs of each District Council in an inequitable way. Therefore, a key area of focus which could generate savings in future, if effective in its purpose, is the Behavioural Change Programme. The programme has faced some challenges with large budget reductions, following the initial budget setting in each year, and underspends as a result of staff changes and capacity issues. Following staffing changes the team was back at full capacity in April 2023 and with key focus areas agreed with the Senior Leadership Team the Authority developed action plans for 2023/24 to re-ignite the programme. Investment in the Programme ensure sufficient capacity provides the opportunity for future cost savings through waste reduction across the region. Due to an agreed decrease in the levy for 2023/24, followed by comparatively large forecast increases in the medium term of 7.43% in 2024/25 and 2.89% in 2025/26, the Authority will need to prioritise savings from the Behavioural Change Programme by investing in this area, as suggested in our 3E's section.

Within the 2020/21 budget, and on an ongoing basis, the Authority has considered whether changes in the Levy Mechanism could be used to effectively manage the financial position. Different options have been considered and discussed with the District Councils and advice sought from colleagues in other Councils. Changes to the Levy Mechanism do not impact on the costs of the Authority, they simply shift the allocation of the Levy payment amongst the Councils. As such this is an ineffective way to generate financial savings to the Authority itself, nor has agreement on a change been reached in the region, as such the Mechanism has remained unchanged throughout the period. Again, evidence of the Authority's consideration of savings but with limited opportunities being identified.

As savings are not identified and reported on an individual scheme level they are also not monitored in this way. Instead, the budget monitoring process that takes place quarterly by the Management Team and annually by Members acts as the mechanism by which savings are monitored by monitoring performance against departmental expenditure targets on a line-by-line basis. The Authority is small in size, non-complex in the nature of its structure or operations and no significant financial issues have been noted in the period.

As such the approach to setting and monitoring savings is reflective of the low risk currently observed. Should the financial risk profile of the organisation change then the Authority may seek to adapt how they set and monitor savings in future.

Reserves

As noted in Table 1, earlier in the report, the Authority for the 3 years cover by our report planned to use £5.378m of reserves to support it budget position. As the budget is revised each February this resulted in a reduction in the reliance of reserves, in total, of £3.588m. The actual outturn position was better than planned in all years and on a net basis the Authority has been able to contribute £1.6m to reserves over the 3-year period. This commitment to replenishment of reserves demonstrates sound financial control and a sustainable approach to future financial management should this continue.

In each year reserves usage is planned in order to balance the budget and limit the Levy increases imposed upon Councils, the building up of reserves in the period, as opposed to the planned usage, provides resources for the Authority to continue to limit Levy increases. The Authority has agreed to a Levy decrease for 2023/24 with the planned use of £3.48m of reserves to facilitate this. Within the budget setting process use, or contribution of reserves, is only planned for on a one-year basis and not for the medium term. Given expected Levy increases in the medium term, following a Levy decrease, it is likely that negotiations with Councils will seek to reduce the Levy as they have in each previous year. As such the assumption that reserves will not be required in the medium-term could be considered optimistic, as such the Authority should consider planning for its reserves on a medium-term basis to ensure they remain at a sustainable level (Improvement Recommendation 2).

Grant Thornton published a paper entitled 'Lessons from recent Public Interest reports' in 2021 and it includes a strong emphasis on the importance of maintaining an adequate level of reserves. There is no formal definition as to what constitutes adequate, but Grant Thornton's view is that reserves should be a minimum of 5% of net spending and preferably be somewhere between 5% and 10%. Table 3 details the reserves position under the original budget, revised budget and actual outturn for each of the years covered by our reporting. During the setting of the 2020/21 budget the Authority stated that the planned reserves balance of £3.559m was close the minimum balance it would expect to hold to be able to protect itself against future unanticipated pressures such as increasing waste levels. The calculations show, in percentage terms, that this minimum level is below what the Grant Thornton paper would consider adequate. As such the Authority may find it beneficial to formally reassess, clearly define with supporting analysis and gain approval for what it deems to be an adequate minimum reserves balance in light of this information (Improvement Recommendation 2).

Financial sustainability (continued)

Table 3

	20/21 £000	21/22 £000	22/23 £000	23/24 £000
Original Budget Reserves Balance	3,559	1,022	5,527	5,785
Net Operating Expenditure	89,980	80,249	82,003	82,268
As a % of net operating expenditure	3.96%	1.27%	6.74%	7.03%
Within GT Threshold?	No	No	Yes	Yes
Revised Budget Reserves Balance	3,777	6,728	8,656	
Net Operating Expenditure	79,710	79,450	78,264	
As a % of net operating expenditure	4.74%	8.47%	11.06%	
Within GT Threshold?	No	Yes	Ahead	
Actual Outturn Reserves Balance	6,589	8,045	9,769	
Net Operating Expenditure	79,710	78,577	77,336	
As a % of net operating expenditure	8.27%	10.24%	12.63%	
Within GT Threshold?	Yes	Ahead	Ahead	

We do note that in actual outturn terms the reserves levels held by the Authority, and planned for 2023/24, are within or ahead of the threshold suggested by the publication and therefore do not cause a concern in relation to financial sustainability based on this analysis alone. This being said, when comparing to other waste disposal and recycling authorities, the Authority reserves position is comparatively low.

Table 4

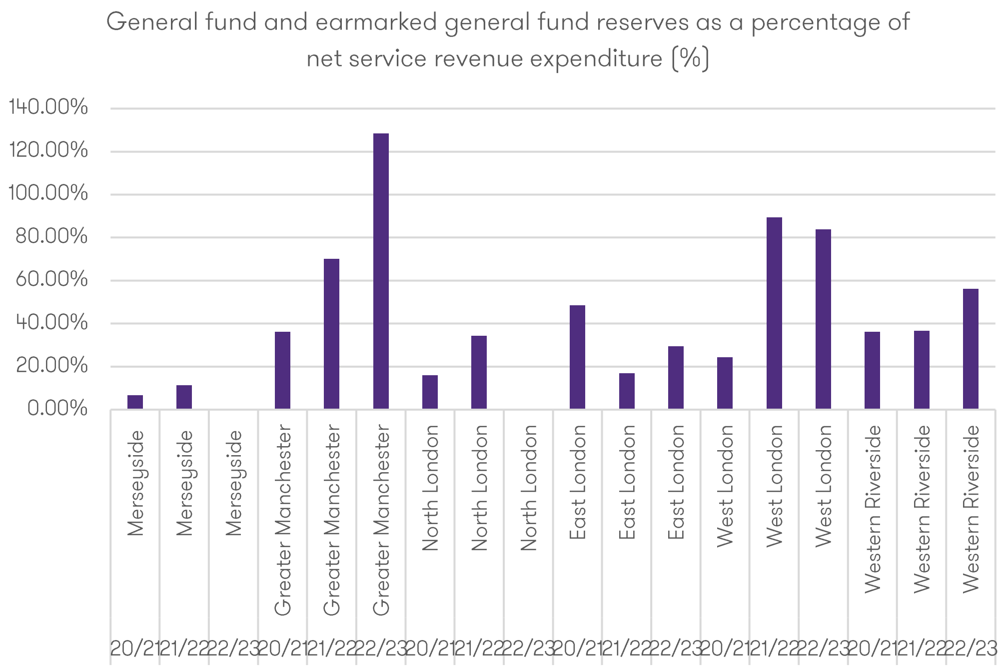


Table 4 demonstrates that the Authority has the lowest percentage of reserves compared to net operating expenditure of all similar authorities from the available annual accounts. Therefore, the Authority should seek to prioritise building up and protecting reserves within its future budgets to protect itself against potential future financial risks, in actual outturn terms this has been achieved (Improvement Recommendation 2).

Financial sustainability (continued)

Reserves are monitored within the Quarterly Budget Monitoring reports by the Management Team and annually by members. The information is presented in a summarised format which suggests there is a single General Fund Reserve set aside to respond to all possible future challenges and objectives (in addition to capital reserves), including stabilising the budget which seems to be the predominant use of reserves at the Authority. At other waste authorities we have noted individual earmarked reserves set aside for specific purposes, ringfencing a certain proportion of reserves within a stabilisation reserve for budget management and leaving the remainder of reserves for other specific purposes to ensure reserves are available to meet a range of objectives. The Authority may wish to consider earmarking reserves to ensure they can be used for a range of purposes, aside from budget management (Improvement Recommendation 2).

Discussions with Officers has confirmed that the extent of the Authority's reserves is under review, as they have to provide for a contract procurement process that will be a significant cost. At the close of 2023/24 provision for an earmarked reserve was put in place which will fund a part of the costs. There is a plan to establish further earmarked reserves to enable the Authority to meet the costs of the procurement in full.

Financial governance

Statutory Recommendations – The Response

Grant Thornton issued Statutory Recommendations to the Authority in November 2021 as a result of findings during the audit of the financial statements. The recommendation consisted of four points and have been followed up in the course of our work (pages 12 to 14). The issues were identified and highlighted as result of the financial statements of the Authority being unable to be produced and provided for audit since 2018/19. The underlying causes of the lack of financial statements, which resulted in the recommendations, were lack of capacity in the finance team to produce the required accounts and working papers, ineffective and cumbersome ledger system causing delays in information, a complex and inaccurate accounts production spreadsheet and inadequate cash reconciliation controls.

In order to respond to the capacity issue the Authority initiated discussions with CIPFA, other local authorities, agencies and previous contractors to identify additional experienced capacity, however this was unsuccessful. A tender exercise was also undertaken and although this gained several expressions of interest it ultimately yielded no offers. The Authority has offered support to an existing member of the finance team in order to undertake the CIPFA qualification to become a chartered accountant with public sector experience. This remains ongoing due to the time commitment and although it ensures the relevant skills within the finance team it does not improve capacity.

In June 2023 the Authority was able to gain financial statement preparation support from KPMG and this has resulted in accounts being made available for audit covering 2018/19 to 2021/22 by the end of October 2023, the production of the 2022/23 accounts remains in progress. Support from KPMG addresses the element of the recommendation which suggests the need for support to clear the backlog of prior year accounts.

However, the support from KPMG is both costly, and temporary, as a solution and therefore there remains a weakness in arrangements until a more permanent solution can be identified to ensure the production of future years accounts can be facilitated (Key Recommendation 1).

The accounts preparation issue was not rectified in the period covered by our VFM work as it was rectified within the 2023/24 financial year, it was rectified in line with the updated timeline agreed with the audit team (to provide 2018/19 and 2019/20 accounts for audit by August 2023. Although the accounts have been provided, they are yet to be audited, this means that the accuracy and integrity of the financial information, which decisions are being based on, cannot yet be evidenced. This remains a weakness in arrangements and so the Statutory Recommendation remains open until this can be achieved(Statutory Recommendation 1).

In order to respond immediately to the lack of cash reconciliation controls, meetings were held with the service provider (St Helens Council) responsible for cash management services to ensure that records were shared, allowing the Authority to complete its own independent verification of the cash reconciliation. An error in the cash information was also manually rectified, more details are provided on pages 12 to 14. Although there has been an immediate response to this element of the recommendation until the accounts are audited for all years it cannot be verified as accurate and so the statutory recommendation remains unaddressed.

The issues identified with regards to the weakness in the financial information systems used to support the production of the statement of accounts have been relayed to the Authority's service provider, St Helens Council. The Council are upgrading their ledger system to Agresso, which will include the Authority's ledger data. This is expected have a positive impact but not expected to be in place until 2024. The Authority has ensured that it is represented within the working group created to support the development of the new system. However, as the new system has yet to be launched this element of the recommendation has yet to be addressed in full.

The complex and inaccurate spreadsheet used in accounts production was reviewed immediately by officers in the finance team and much simplified, so that the production of the accounts and the support for the auditor are made easier to follow. This was a manual exercise breaking the links which were impacting accuracy, it has been time and resource intensive for the finance team and still requires verification on an ongoing basis to ensure issues do not reoccur. Although actions have been taken to respond to this element of the recommendations its accuracy cannot be verified until the completion of the audit of the accounts which it supports, this remains ongoing and so the recommendation remains open.

Financial governance (continued)

Statutory Recommendations – Managing and Monitoring the Response

In addition to considering whether the recommendations have been responded to effectively within the period it is also important to consider whether appropriate underlying governance arrangements have been put in place to support their delivery. As such our work also considered the timeliness of the response to the recommendations, whether a sufficiently detailed action plan to respond to the recommendation was put in place and how effectively this was monitored to hold individuals to account for their response.

All of the statutory recommendations made by Grant Thornton were accepted immediately by the Authority. Where possible the Authority sought to respond immediately and was able to do so in relation to the cash reconciliations control, reviewing an updating the accounts production spreadsheet and implementing regular monitoring to Members. However, as noted previously, the timeliness of the response to the recommendations related to challenges with the ledger system and the production of prior year accounts was an issue in the period with almost a two-year time-lag between the recommendations being raised and the prior year accounts being made available. The ledger continues to remain unchanged, although in progress. Although the accounts were delivered to a newly agreed timeline with the auditors the pace of reaction to the recommendations has had the impact of outdated and unaudited financial information being used by decision makers which must be considered a weakness in arrangements (Key Recommendation 2).

The Authority has reported on the progress of the recommendations to each committee in 2022 and all but one in 2023, this was a requirement of one of the four elements of the statutory recommendations themselves and has been complied with. The reports ensure that members are updated at each committee meeting that takes place, even if there is little progress since their prior meeting, and therefore monitoring has been appropriate at the top tier of the organisation.

The action plan to respond to the recommendations is essentially the monitoring reports which members receive, it is not a separate document. It is a simple document which provides a narrative update on progress. Until September 2023 it does cover all aspects of the statutory recommendation, from September 2023 the focus is on the accounts preparation element only as other aspects are considered to have been addressed by management. The format of the action plan provides limited information on who is responsible within the Authority for undertaking each action, more granular milestones associated with each action to work towards its completion, target dates, and accountable individuals being provided to members which would assist them in scrutinising progress and holding individuals to account. As such the action plan itself, that is being presented to members, could be more effective (Key Recommendation 2).

Members were presented with an Interim VFM Report by Grant Thornton in September 2022. The report was a focused piece of work which was a review of the way the Authority and Councils across the City Region work together in delivering the strategic waste agenda for the region. The report is in respect of work that Grant Thornton carried out not only at this Authority but across each of the Councils in the City Region for which Grant Thornton are the external auditors. A number of the conclusions and recommendations were made which are not solely for the Authority to consider but are also for the Councils to consider, sometimes separately and sometimes together with the Authority. We have followed all up from an Authority perspective in 'Follow Up of Prior Year Recommendations' (pages 59-66), since the Authority do have a part to play in each. The result is that, at the time of writing, the response rate has been ineffective with evidence suggesting that most are either not yet responded to or only partially responded to, over a year after being raised. We understand that progressing the recommendations in this review, as well as the statutory recommendations, are a priority for the Chief Executive who joined the Authority in January 2023. However, given the delay timeliness of response to audit recommendations is a more pervasive issue in the period than the statutory recommendations alone and therefore supports a weakness in arrangements (Key Recommendation 2).

Despite this observation we have noted that, in relation to Internal Audit reviews and recommendations, these are presented to members regularly and there is evidence of timely follow up and resolution of recommendations. As such there may be the opportunity to learn from the processes undertaken in relation to Internal Audit reviews and apply the same rigour to other external reviews.

Budget Monitoring

Members receive financial performance information twice each year. When setting the budget for the proceeding financial year in February the current year budget is revised by updating the forecast outturn position for year-to-date actual performance. Members receive the final outturn performance each June. The represents a 3-month time lag and is considered timely as this is the most appropriate committee meeting in the schedule to present such information (April being too close to year end to collate, review and report the year end position). Discussion with officers has confirmed that Members preference, to ensure efficiency and effectiveness of the committee meetings, is to ensure that only essential information is presented to decision makers. We have compared the frequency of financial reporting to other waste authorities and noted other examples of twice-yearly reporting, as well as cases where reporting is more frequent. As such the Authority is not out of line in its approach from similar organisations.

Financial governance (continued)

The frequency of reporting of the budget should reflect the financial risk associated with the Authority, the nature of the Authority and the environment in which it operates. In each of the three years covered by our work the Authority has performed ahead of its budget, and its revised budget, at final outturn and a net contribution to reserves in the three-year period. This is not suggestive of high financial risk. The Councils with which the Authority is associated with present their financial performance information to their members at least quarterly. To support the financial reporting to members the Management Team at the Authority review financial performance quarterly, they can raise significant variances by exception to members should this be required. As such the level of oversight is appropriate based on the nature of the Authority's finances, risk and the partners with which it is associated. The finance team consists of three members of staff and so the benefit of additional monitoring would need to outweigh the cost as the additional reporting may require additional capacity, currently we would not suggest additional monitoring is needed although should financial risk increase this should be reviewed.

The format of the financial performance reporting to both members and management is effective in identifying the forecast variance to budget for the entire financial year. It presents this at whole Authority level, as well as at department level, on a line-by-line expenditure basis. The numerical information is presented as an appendix and is sufficiently detailed for decision makers to be able pinpoint areas of pressure and take action accordingly. This is supported by a narrative covering report which details the reasons for each variance, whether these are under or overspends, so decision makers are presented with a full suite of balanced information. In each case the explanation focuses on the causes of the variance and therefore the underlying cost drivers of the performance. It does not include corrective actions being taken where there are overspend positions, this would be useful to allow members to hold the relevant budget holders to account should overspends be observed continuously (Improvement Recommendation 3).

Budget Process

The budget setting process each year is a collaborative approach between the Authority, District Council Treasurers and District Council Chief Executives and Leaders. It is an iterative process which starts with the rolling forward of the prior year budget on a line-by-line basis and working with individual service line managers to update the information for known budget growth, savings and efficiencies and updates to assumptions. This allows a full Authority budget to be drafted and an initial Levy proposal to be presented to the District Councils for discussion.

The Levy has been reduced in each year from the initial proposal and a strategy agreed upon which provides appropriate support for the districts while at the same time enabling this Authority to meet its statutory and fiduciary duties in the most prudent manner. Members have sight of the budget for approval each February following this process. Although the formalized minutes of member meetings surrounding the budget show limited documentation of questions, challenge and scrutiny we have been assured that there is an appropriate level of discussion at each meeting, but efficiency in documentation prioritised to the salient points and relevant approvals.

It is commonplace for local authorities to undertake scenario planning as part of the budget and MTFP setting process to enable them to effectively plan for a range of opportunities and challenges that could realistically be faced before they occur. Optimistic, pessimistic and neutral scenarios allow an authority to assess a range of potential risks, incorporate this into their reserves strategy for multiple years and provide Councils with early indication of a range of possibilities in relation to the Levy for future years so they can plan for this in their own budgeting. Each year the Authority plan for a range of Levy scenarios varying from a static overall levy, rising at various rates to up to a 10-12% levy. This which allows them to understand the impact on our budgets/reserves and District Councils before reaching a preferred levy proposal. This process is undertaken in the development of the reporting to members and the most likely scenario presented to members.

Within the 2021/22 budget setting process the Authority included beneficial trend analysis that had not been in previous budgets, nor has it been replicated since. The information provided Members with changes to forecast tonnages of waste being collected, as a result of changes in trends as a result of Covid-19 (such as people's working patterns shifting to home working during lockdowns and traffic flows internally due to social distancing). Detailed trend analysis of tonnage data under the RRC contract was also included when developing the 2021/22 budget, but no additional information for the WMRC contract. The aim of this information was to demonstrate how tonnage levels were impacting the Authority from being able to benefit from income sharing arrangements under this contract. However, since the budgeted expenditure is predominantly determined by the volume of waste being collected and treated under these contracts it would be useful, for transparency, for Members to be provided with the information each year, for both contracts, and to understand how it has been used to make relevant budget assumptions. Contract payments based on tonnages are sources of large variances, increases and decreases, in either budget revision or outturn positions each year and therefore this analysis would increase accuracy of the assumptions (Improvement Recommendation 1).

Financial governance (continued)

An important piece of legislation which impacts the Authority has been passed. The intention of the new regulations introduced by the Environment Act 2021 is to drive up recycling rates across England. In summary the legislation means that Councils must collect dry recyclables for free, food waste at least weekly for free and garden waste (which can be charged for).

The Authority already process dry recyclables, food and green waste via their existing contracts and therefore the most significant impact of this legislation will likely be increased volumes (particularly from the required weekly frequency of food waste, which is an increase on current levels). A Senior Officers Working Group (SOWG) of Liverpool City Region's (LCR's) Waste Collection Authorities was set up and this group and Chief Executives met several times between October 2019 and February 2020 to discuss potential delivery options, particularly in relation to food waste. An update was presented to Members in February 2020, however no further papers or updates have been observed since.

The deadline for implementation of most changes per the Act is March 2026, and therefore within the timeline of the current MTFP however there is no current budgetary provision for the matters set out in the Act. The view of the Authority is that the proposals in the Act and the timings remain unclear, and therefore cannot be effectively planned for. The Authority budget is largely plans for waste flows for next year, and their costs, with an assessment about futures remaining to be made when the details are clearer. It is important that discussion in relation to Act is reignited to ensure that the Authority can effectively estimate the medium-term effect and plan effectively for the medium term. This impacts the medium term expected Levy increases and therefore should provide an incentive for collaboration amongst the LCR continually assess the impact. (Improvement Recommendation 1).

Risk

In setting the budget and MTFP in February each year the Authority considers the financial risks that they may face, highlights these to members and explains their potential impact (including a Red-Amber-Green rating). The presentation of these risks is simplistic and to achieve best practice, and aid decision making, the Authority may wish to consider quantifying these risks, identifying the mitigating actions being taken and detailing any specific reserves set aside to respond to risks should they emerge (Improvement Recommendation 1)

There are three core risks identified within the budget each year which relate to unexpected, or above planned tonnage increases, cost increases and changes in the recyclate market.

A greater number of risks have been identified at other waste authorities (in the region of 5-7 risks on average), which may suggest that the Authority may benefit from a review of the financial risks in the budget to ensure completeness (Improvement Recommendation 1).

The number of risks has remained consistent when setting the 2021/21 and 2021/22 budget, there is evidence of further updates in 2022/23 where the number or risks increases to 4 to recognise the risk of the removal of Covid-19 funding support from Councils. This is still lower than comparative Authorities.

The risks identified by the Authority cover expenditure risks and have regard for operational risks (in relation to the recyclate market) but little consideration of income risks, until the change in 2022/23. Potential risks highlighted by our work, specific to the Authority, were:

- Local Government wide-financial pressures - the Authority is funded via the Levy from local Councils and the Local Government sector, particularly in the wake of Covid-19, continues to face financial challenge and funding cuts and so the potential risk of this dependent relationship may wish to be considered.
- Climate change - the Authority and is associated Councils have each declared a climate emergency, have individual action plans and are working on a joint Zero Waste Strategy. The risks around the impact of other Councils' plans on the Authority has not been considered, they play a key role in responding to climate change in a sustainable way and this would have a financial impact potentially.
- New Legislation – the Environment Act 2021 is due to bring in changes which impact both waste collection and waste disposal authorities, primarily impacting the collection and treatment of food waste with greater frequency. The deadline for implementing the changes is March 2026 and therefore within the scope of the medium-term plan.

Treasury Governance

Cash Management and Treasury Management, including borrowings, services are provided by St Helens Council (the service provider) to the Authority under a Service Level Agreement (SLA). The Authority therefore do not hold their own bank account or financial systems, instead these balances are managed by the service provider alongside their own bank and treasury functions. The Council provide the Authority with details of their cash holdings annually. The service provider is expected, under the SLA, to monitor the cash and loan position alongside their own processes more frequently than is reported to the Authority. Historically there has been evidence to provide assurance that this monitoring takes place, with any early indications of a cash position moving away from a surplus being provided by the Council.

Financial governance (continued)

No such issues arose in the years covered by our reporting to necessitate such action, the reconciliations provided show a positive cash position for all 3 years ranging between £5.3m to £11.5m. As such the frequency of the reporting can be deemed sufficient based on the low risk and non-complex nature of the Authority cashflows.

The 'cash reconciliation' that St Helens provide does not include a cashflow forecast position, and simply confirms cash balances held at the year end. In order to provide assurance over the financial sustainability, and ability to fund day to day operations within the annual budget, we would expect a forecast to be provided. Therefore, the Authority may wish to liaise with St Helens Council to ensure they receive this assurance. Our understanding is that this is not currently part of the SLA and therefore the terms of the agreements would need to be updated formalise any such change. In considering any change to arrangements the Authority will need to assess whether any additional cost is outweighed by the benefit of using the cash forecast to aid decision making (Improvement Recommendation 4).

The Treasury Management Strategy is set in February each year alongside the budget, this includes the prudential indicator targets the Authority seeks to manage its treasury activities within each year. The Authority is responsible for setting of the Strategy for its own organisation and acts as the guidelines St Helens Council follow in managing treasury activities in their behalf. St Helens Council provide the Authority with details of outstanding loan balances quarterly to provide assurances to the Authority that their Strategy is being met.

The Authority is relatively uncomplex in its treasury activity with a single notional amount invested as the sole shareholder in Mersey Waste Holdings Limited (Its holding company) and borrowings predominantly with the Public Works Loan Board (PWLB), which attracts low interest rates, in all years (approximately 95% of the balance in all years, the remaindering being market debt). Members receive information on treasury performance annually each February when the new Strategy is set. The information includes value, maturity profile and forecast interest rates of all debt. Given the stable value, low risk and uncomplex nature of the holdings the frequency of member oversight is acceptable and supported by more frequent management oversight. Further treasury assurances are provided alongside the outturn position to members each year in relation to performance against the prudential indicators. No issues have arisen in any of the years covered, with all indicators met.

Treasury monitoring notes a trend of rising interest rates on PWLB loans. In 2022/23 the largest individual overspend within the outturn was £117k and this was due to higher than estimated interest payable on the Authority's loans over and above that anticipated by St Helens Council. This was offset by larger overspends elsewhere in the budget and led to an overall surplus position resulting in contribution to reserves. As such treasury management has not had a significant impact on financial sustainability at the Authority.

Conclusion

As a result of Statutory Recommendations made in November 2021 a weakness in arrangements has been identified. This weakness is three-fold covering the lack of audited financial information with which to make effective decisions, a lack of succession planning to facilitate accounts production once the current backlog has been addressed and an untimely response to rectifying the issues highlighted by the recommendations. The Statutory Recommendations have been followed up in detail on pages 12 to 14, this notes that the Authority has acted where possible to respond and in many cases the effectiveness of the response cannot yet be verified until the financial statements, that were provided in the 2023/24 years, can be audited.

The financial position of the Authority has remained positive throughout the period, the Authority are prudent within their budgets as evidenced by a better than anticipated performance each year. Improvements have been noted and recommendations made, particularly towards the arrangements for setting and monitoring finances. These are raised with the aim of encouraging best practice and consistency with the sector.

Improvement recommendations

Financial sustainability and financial governance

Improvement Recommendation 1	**Budget Setting Process** The Authority should review the budget and Medium-Term Financial Plan (MTFP) setting process to ensure it remains effective, including considering: • Extending the term of the MTFP to ensure the medium-term outlook is at least 3 years (not including the annual budget) • Exploring ways to improve the accuracy of assumptions in tonnage forecasts used in developing the annual budget. Using trend analysis in relation to tonnage data consistently to inform each budget is an example of one tool that could be considered. Evidence of this was observed in 2021/22 but this has not been replicated since • Reigniting discussions internally, with Members and with the Liverpool City Region regarding the implications of the Environment Act 2021 so the impact can be incorporated into the MTFP • Continually reviewing the risks identified within the annual budget to ensure they are complete, best practice would be to quantify each risk, disclose mitigating actions and detail the reserves set aside to respond
Audit years	2020/21, 2021/22 and 2022/23
Why/impact	• Ensuring that the medium term outlook covers at least a 3 year planning horizon is in line with CIPFA guidance and the Councils by which the Authority is funded. Ensuring the planning horizon is consistent with these Council allows the Authority to incorporate potential uncertainties and risks from those relationships and plan ahead for these. In addition the Authority is in the process of planning for the end of a major contract in 2029 which will require a significant procurement exercise. The process and contract itself has a potential significant budget impact that will need to be planned for ahead of time, this is not covered by the current medium term planning horizon. • Contract payments based on tonnages are sources of large variances, increases and decreases, in either budget revision or outturn positions each year and therefore trend analysis would increase accuracy of the assumptions. In 2021/22 and 2022/23 the Authority has been over-prudent in its assumptions related to costs and tonnage estimates of each contract, had the estimates been more accurate at the setting of the original budget this saving could have been reflected in the Levy calculation • The deadline for implementation of the majority of changes per the Act is March 2026, and therefore within the timeline of the current MTFP however there is no current budgetary provision for the matters set out in the Act. Initial discussions took place in the region in February 2020 but have stalled since. Although there are uncertainties surrounding the impact estimates, potentially based on different scenarios, would be useful to assist the Authority in planning for a series of possible outcomes.

Improvement recommendations

Financial sustainability and financial governance

Improvement Recommendation 1 (continued)

Why/impact	• There are three core risks identified within the budget each year, increasing to 4 in 2022/23. A greater number of risks have been identified at other waste authorities (in the region of 5-7 risks on average), and some notable omissions related to Authority specific activities identified. This may suggest that the Authority may benefit from a review of the financial risks in the budget to ensure that all potential risks are identified and a response can be planned for in advance of them potentially materialising.
Management Comments	The Authority will consider extending the MTFP, will look to use scenario planning more widely and will review the risks within the budget process. The Authority will find it difficult to improve the accuracy of tonnage projections, which are reviewed with District Councils as part of the budget setting process, as it already holds extensive discussions with City Region colleagues. The Authority will consider the use of trend analysis but in light of significant changes in the waste environment, question the value that this will bring. Ongoing discussions around waste legislation and changes are being held as part of the Joint Waste Partnership meetings. The Chie Executive has, more recently, also held a series of 1-2-1 meetings at each of the District Councils so that the dialogue is meaningful for each party.

Improvement recommendations

Financial sustainability

Improvement Recommendation 2	**Reserves** In order to increase the effectiveness of financial planning in relation to reserves the Authority should consider: • Planning in relation to reserves in the medium-term as opposed to on a one-year basis • Formally reassessing, clearly defining with supporting analysis and gaining approval for what is deemed to be an adequate minimum reserves balance • Prioritising building up and protecting reserves within future budgets to protect itself against potential future financial risks, in light of comparative information • Earmarking reserves, and distinguishing from general fund reserves, to ensure they can be used for a range of purposes
Audit years	2020/21, 2021/22 and 2022/23
Why/impact	• Within the budget setting process reserve strategy is only planned for on a one-year basis and not for the medium term. Given expected Levy increases in the medium term, following a Levy decrease, it is likely that negotiations with Councils will seek to reduce the Levy as they have in each previous year. As such the assumption that reserves will not be required in the medium-term could be considered optimistic. • Grant Thornton published a paper entitled 'Lessons from recent Public Interest reports' in 2021 suggests that reserves should be a minimum of 5% of net spending and preferably be somewhere between 5% and 10%. In 2020/21 and 2021/22 the Authority's original budget planned to hold reserves below this level which would present a risk of being able to respond to unexpected future financial pressures. The actual position was much improved and within or ahead of the suggested threshold. • The Authority has the lowest percentage of reserves compared to net operating expenditure of all similar authorities from the available annual accounts. Therefore, in comparative terms, would be more limited in its capacity to respond to future unanticipated financial risks • The Authority operates a single General Fund Reserve set aside to respond to all possible future challenges and objectives (in addition to capital reserves). It is predominantly used for budget stablisation. However, ringfencing a certain proportion of reserves within a stabilisation reserve for budget management and assigning the remainder to other specific reserves would ensure reserves were available to meet a range of objectives
Management Comments	The plan for reserves will be improved, as additional demands are expected to be made during the period of the procurement of a new service. The assessment of minimum levels of reserves will be made more explicit, although CIPFA's guidance has been followed. Prioritising building reserves is a helpful recommendation – but may prove to continue to be difficult when local government finance remains precarious, particularly at a time when the Authority is setting aside funds to support procurement. The Earmarking of funds for the procurement has already been agreed by Members.

Improvement recommendations

Financial governance

Improvement Recommendation 3	**Budget Monitoring** The Authority should include actions being taken to address budget variances within the monitoring reports, in addition to explaining the causes of each variance
Audit years	2020/21, 2021/22 and 2022/23
Why/impact	Information relating to the actions proposed to tackle variances provides Members with a mechanism by which to track progress and impact of those actions and ultimately hold the responsible officers to account.
Management Comments	The explanation of the budget variances will be accompanied by information on steps to address budget variances where this is appropriate.

Improvement Recommendation 4	**Cashflow Forecasting** The Authority should liaise with St Helens Council as their Cash Management And Treasury Management service provider to ensure they receive cashflow forecasts in addition to confirmation of cash balances at year end. This may result in changes being required to the Service Level Agreement with the Council and so the Authority will need to assess whether any additional cost is outweighed by the benefit of using the cash forecast to aid decision making.
Audit years	2020/21, 2021/22 and 2022/23
Why/impact	Forecast information provides assurances to the Authority over the sustainability of their cash balances which underpin their ability continue operations. This may result in changes being required to the Service Level Agreement with the Council and so
Management Comments	The costs and benefits of this will be discussed with the service provider.

Governance

We considered how the Authority:

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

Risk Management

The Authority's approach to risk management is encapsulated within the Risk Management Strategy, the current strategy is dated 2018/19. The strategy is then translated into a tangible tool via the Risk Management Matrix which forms the basis of the Corporate Risk Register itself. The approach has remained consistent throughout the 3-year period, is consistent with other authorities, is non-complex in nature, well established and well understood. We would expect a key policy such as this to be reviewed every 3-5 years to ensure that it is applied consistently throughout the organisation, is resilient to staff changes and remains relevant and fit for purpose. The Director of Finance reviewed the Strategy in January 2023 and confirmed no updates were required to ensure it remained fit for purpose. We would expect the strategy to be reviewed, updated and formally approved by members in 2023/24 (or 2024/25 given the timing of this reporting). To ensure the strategy is consistently applied it is readily available and easily accessible to all staff and Members via their desktops and is included in new starter straining.

Risks within the Risk Register are identified via discussions between the Management Team, individual departmental team and external partners. Risks are scored using a simple 5x5 matrix based on impact and likelihood of the risk, the system is explained within the Risk Register itself. However, the lack of formal policy does mean there is no guidance on other important aspects of risk management such as roles and responsibilities for risk, the types of responses that could be applied to each risk and risk appetite of the organisation for example. It is clear that, despite the lack of formal policy, some of these points take place in practice - for example the Risk Register does include a chosen strategy to respond to the risk such (manage/transfer/mitigate). The Authority are due to develop a revised approach that considers scoring after mitigating actions to respond to risks, therefore this review could present an opportunity to formalise the risk management system to support effective risk management (Improvement Recommendation 5).

Risk identification and monitoring is undertaken by the Management Team of the organisation. There is no evidence of Members being presented with the Risk Register in the 3-year period at the Authority Committee meetings.

The Authority, each year, make appointments to an Audit and Governance Committee, however this committee only meets as required and its remit does not specifically include risk management as is observed at other waste authorities and local authorities. At other similar authorities monitoring of the Risk Register takes place formally via a relevant member committee annually. The frequency of review should reflect the risk profile, nature, size and complexity of the organisation. The Authority does not have a high-risk profile from the evidence provided and therefore annual monitoring by Members, in line with other waste authorities, would be sufficient to ensure effective oversight and risk management (Improvement Recommendation 5).

The Authority Risk Register includes 27 risks at September 2023, risks have been reviewed in the period as there is evidence that risks have been removed where they were considered mitigated or no longer relevant. This is considered a high number of risks for an organisation of the Authority's size and is in line with that of a large London Borough Council, as opposed to other waste authorities. A high number of risks could suggest that strategic and operational risks are not being distinguished between and managed separately, having reviewed the Risk Register this is not the case for the Authority. However, to ensure the number of risks remains relevant and appropriate, as well as allowing members to focus and undertake meaningful discussion on each risk, the Authority may benefit from a wholesale review of the risk register (Improvement Recommendation 5).

Based on our knowledge of the Authority and comparison with other similar authorities a number of risks deemed relevant but not present in the Risk Register have been identified.

Governance (continued)

Examples include planning for the end of the WMRC contract, increasing tonnage levels, impact of financial challenge at associated Councils and changes in government regulations (in particular those impacting food waste collections). Therefore, the wholesale review would be an opportunity to ensure completeness of risks as well as appropriateness of those already included (Improvement Recommendation 5).

The format of the Risk Register is relatively simplistic and therefore easy to understand and implement, however as a result may not be effective in providing all of the information to managers and decision makers to allow them to manage risk using best practice. There are some minimum standards we would expect to be met in an effective risk register as below. The Risk Register, in its current format, only achieves detailing relevant controls in the form of mitigating actions and providing information on the direction of travel of the risk score.

- relevant key controls and sources of assurance are set out.
- they are RAG-rated, including impact and likelihood.
- they are mapped to corporate objectives.
- they are allocated to a responsible senior officer.
- direction of travel for each key risk is provided.

The Authority may consider continuing to make iterative improvements to the format of the risk register it presents to members to ensure they have a full suite of information to help aid decision making. Other useful information we see in risk registers which could be considered includes a target score to provide context and information on appetite, scoring before and after actions taken to demonstrate the effectiveness of the actions and changes made if not effective enough and review date. We noted from discussion that the Authority are already considering the use of scoring before and after mitigating actions in their upcoming review of approach (Improvement Recommendation 5).

Internal Audit

The Authority's Internal Audit function is provided by St Helens Council as a part of the annual Service Level Agreement. This has remained consistent for several years with no changes noted in the period being reviewed. Each year Internal Audit review the risk environment at the Authority and identify the key areas where an independent review is required to confirm the adequacy and effectiveness of the arrangements in place and to make recommendations for improvements where appropriate.

This is summarised in the annual Internal Audit Plan which has been approved by Members ahead of, or early in, the financial year being reviewed. The Plan is developed by the Internal Audit Manager and is informed by a risk assessment, discussions with the Executive Management Team at the Authority and Internal Audit's knowledge and experience of the governance arrangements and key controls at the Authority. It aims to gain coverage of operations by achieving a balance of follow up areas, where work has already been completed recently, areas where there has not been a recent review, prioritising high risk areas, as well as reviewing other lower risk areas on a cyclical basis. The plan is very high level and does not include an indicative number of audit days in total or per review, this does provide some flexibility to adapt to changing risk but provides a challenge in assessing the effectiveness and efficiency of the Internal Audit Provider. The Plan does confirm that when allocating resources, priority will be given to high and medium risk reviews, but it is not clear when the reviews will take place and that there is sufficient resource to complete them. As such improvements could be made to the Plan to assist Members in holding their provider to account for performance (Improvement Recommendation 6).

Table 5 demonstrates the planned audits each year, their risk assessment, whether a review of was completed and the assurance rating it received. This identifies challenges with the Internal Audit Function fulfilling the planned audits within the year agreed. In both years with comparatively low completion rates this is due to additional, higher risk pieces of work being undertaken and prioritised above planned reviews. These included a review in response to a whistleblowing incident against the Waste Management Contractor and Procurement in 2022/23. More details on the Procurement review can be found in the 3E's section of our report.

The Waste Management Contract review resulted in several recommendations which were addressed to the Auditor's satisfaction in a timely manner and did not result in significant control issues being highlighted. However, there is no evidence that the report relating to this review was provided to Members. We would expect that all reports, especially where recommendations are made, are provided to Members to alert them to potential risks in the organisation and discuss mitigating actions. We have not noted any further instances of reports being omitted. (Improvement Recommendation 6)

In each year the reviews that have not been completed are included in the Plan for later years to ensure cyclical assurances are provided and gaps in coverage in the medium term limited. However, the Authority should work closely with their provider to develop a more robust Audit Plan that can be completed each year with an appropriate level of support and resource being provided. The result of the low completion rates is a narrow scope of audit reviews completed and a lack of assurance across a range of the Authority operations (Improvement Recommendation 6).

Governance (continued)

Table 5

2020/21				2021/22				2022/23			
Review	Risk	Complete?	Assurance	Review	Risk	Completed?	Assurance	Review	Risk	Completed?	Assurance
RRC Contract	High	Yes	High	RRC Contract	High	Yes	High	ICT Contract	High	No	N/A
WMRC Contract	High	Yes	High	WMRC Contract	High	Yes	High	Contract Management	High	No	N/A
Levy Calculation	Medium	No	N/A	Levy Calculation	Medium	Yes	Substantial	Climate Change	High	No	N/A
Health and Safety	Medium	No	N/A	Health and Safety	Medium	Yes	Substantial	Capital Programme and Accounting	Medium	Yes	Substantial
GDPR	Medium	No	N/A	Recycling Credits	Medium	No	N/A	Corporate Governance	Medium	No	N/A
Corporate Governance	Low	No	N/A	Additional Covid-19 Expenditure	Medium	Yes	High	Business Continuity	Medium/Low	Yes	Reasonable
Completion Rate		33%				83%					33%

Governance (continued)

Overall performance is positive across the period, the majority of reviews receive positive assurances and limited recommendations. Internal Audit regularly follow up the recommendations they have made in each of their reviews and report progress on these to Member and Management, with the exception of 2022/23 where Members are yet to receive an update on performance against recommendations. There was a high priority recommendation made within the 2021/22 review of Health and Safety and further recommendations made as part of the 2022/23 reviews, as such we would expect monitoring of progress against recommendations to be consistently provided to Members to hold Managers to accounts as required (Improvement Recommendation 6).

There is evidence that overall recommendations are responded to in a timely manner by the Authority Management and as a result the Head of Internal Audit Opinion in each year is one of positive assurance in relation to controls in place at the Authority.

Internal Audit are required to comply with the Public Sector Internal Audit Standards (PSIAS). These Standards require that an external and independent assessment of the Internal Audit Service be carried out at least once every 5 years. An independent assessment was completed in February 2018 and therefore the next independent assessment was due during 2022/23. The outcome of the review was presented to St Helens Council Audit Committee in December 2023 following completion in November 2023; therefore, the next available Authority meeting will be February 2024 where it would be expected Members receive this report. The review demonstrates that for the 19 assessment areas there are 18 which meet the 'Conforms' criteria and one area that 'Partially Conforms'. Where there are areas where full conformance has not been achieved, recommendations have been made to address these. Of the four recommendations made regarding conformance, three have already been implemented and one is in progress. Overall, this is positive performance and confirms the effectiveness of the Internal Audit function.

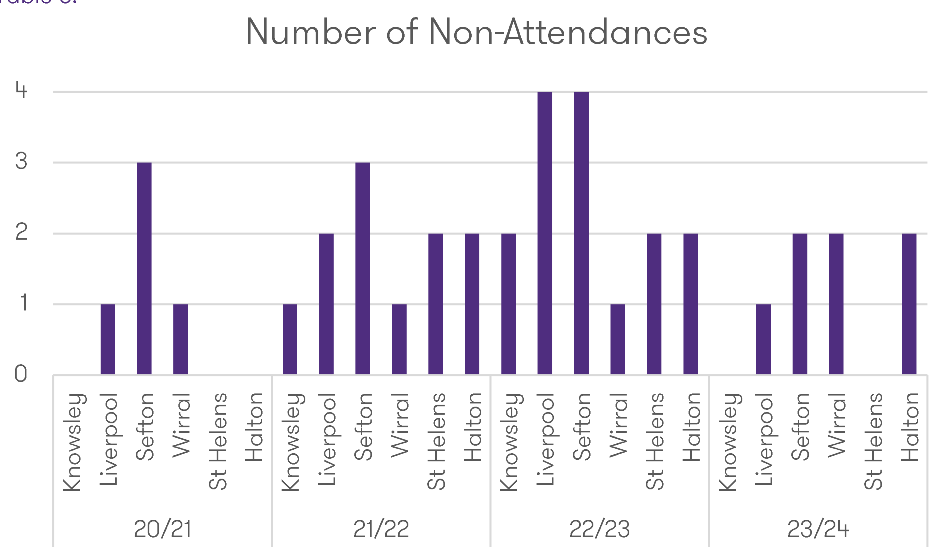
In the intervening periods, an internal self-assessment has carried out annually by Internal Audit, the purpose of which is to identify any areas for improvement and provide assurances on ongoing effectiveness. These assessments identified some minor areas for improvement which were addressed by Internal Audit Based and resulted in a positive external review result in 2023.

Member Engagement

The Authority is made up of nine Members appointed to the Authority by each of the constituent District Councils in Merseyside (Liverpool 3, Sefton 2, Wirral 2, Knowsley 1, St Helens 1. Halton Council has Observer status). Members meet to consider strategic matters such as policy, strategy and budget in relation to waste treatment and disposal. These discussions take place at the Authority meeting, which meets 5 times per year, with all other committees being scheduled as required on an ad-hoc basis. As such commitment to those five scheduled meetings is imperative to decision making.

Table 6 identifies that there is regular non-attendance observed at these meetings by individual Councillors, with the majority relating to Sefton and Liverpool Councillors. These districts are represented by more than one Councillor and so, with the exception of Sefton in February 2021, have been represented by at least one Member. This meeting related to approving the budget and therefore would be expected to be attended by all Districts due to its significance to decision making. Financial information is taken to February and June meetings where attendance on average is 70%.

Table 6:



Governance (continued)

St Helens and Knowsley Councils only have one member representative and therefore when they do not attend their Council's interests are not represented, this has happened on several occasions. There is only 1 meeting in the 3-year period where all members attended (September 2020) and therefore shows a common pattern and trend of non-attendance. All meetings have been quorate despite instances of non-attendance but overall, the information demonstrates a lack of engagement, particularly on financial matters. Overall average attendance is 73% and therefore could be improved. Which members are allocated to the Authority and attend meetings is largely out of the control of the Authority as they have to be volunteered by their respective districts. The Authority have recognised that they would benefit from members with waste and/or finance responsibilities and experience, formalising expected target, providing training on Authority specific issues and encouraging member questions to maximise the quality of the input from Councillors. As such the Authority has recently:

- amended the Constitution to include required Member Attendance, this includes a provision that the member is removed from the Authority if there is non - attendance over a six month period.
- introduced member training in key areas after Authority Meetings. Prior to this there was an offer for Training in key areas within the Member Questionnaire which is issued to all members on appointment to the Authority.
- offered one-to-one meetings with Chief Executive and Senior Management Team and offered that the Chief Executive of the Authority will attend Scrutiny Meetings of the Districts. These offers are very rarely taken up with the exception of Sefton.

Given action has been taken it is clear the Authority are proactively seeking improvement in this area and we will need to keep a watching brief to determine the impact of these actions in 2023/24.

Despite some issues noted with attendance at meetings we have been made aware of the commitment of the previous and current Member Chair of the Authority Committee who have attended all meetings and engaged with the Authority between meetings, including regularly attending staff training days to gain a greater understanding of the Authority.

We raised a recommendation in September 2022 as part of our VFM work relating the Liverpool City Region partnership that suggested the Authority could benefit from having member representation from the Portfolio Holder for Waste at each District Council. The aim of this recommendation was to improve engagement and decision making.

'Follow Up of Prior Year Recommendations' (pages 59-66) follows up these recommendations and notes this has not been effectively responded to by the Councils in the region. The Chief Executive, who joined the Authority in January 2023, has begun to foster greater engagement with Leaders and Chief Executives of the District Councils. In doing so she has continued to raise this issue but the appetite for change currently seems limited. The Authority have taken action in relation to the factors they can control in this area.

In order to bridge the experience gap, whilst Member representation is now Waste related, the new Chief Executive of the Authority has implemented a programme of 'Away Day' sessions. These sessions include Leaders, Authority Members, Chief Executive and Executive/Portfolio Holders as required from of the districts and focus on future ambitions of each district and the Authority and potential collaboration. The first session took place in September 2023 and was well received, another is planned for January 2024. Given the success of these sessions' consideration should be given to increasing formal training for Members in relation to key issues surrounding Waste and Finances, to increase experience in these Waste Authority specific areas. This does require the acceptance and time commitment of Councillors to ensure this is effective, given that Councillors are not reimbursed for their time commitment to the Authority this could be a mitigating factor in this kind of engagement.

The recorded minutes from each Authority meeting provide limited evidence of challenge or discussion from Members. Discussion with senior officers has confirmed that the documented minutes tend to focus on recording essential information and that Members, when present, do challenge and hold officers to account. During 2020 a standing agenda item was included at each meeting to encourage Member questions, the minutes note that no questions raised via this route. This agenda item was removed in later years and re-instating this could provide a route to formalise and encourage engagement, however we do note that the Authority actively encourage questions at Authority meetings, they are not all minuted which reflects the nature of the Authority meeting minutes, which are about decisions. However, in line with other local government bodies almost all the Authority meetings are now live streamed and available for the public to watch, so the amount of discussion and challenge can be seen both live and recorded.

Standards and Compliance

The Authority has a Code of Corporate Governance in place which is based on a framework recommended by CIPFA/SOLACE. It defines standards of good corporate governance, is a known and widely used concept in the public sector and has a basis in the Nolan Principles, which are well established.

Governance (continued)

A Primary Assurance Group (PAG) has been established within the Authority and is responsible for the continuing assessment and review of the Authority's corporate governance arrangements in line with the Code. The group consists of the Authority's Statutory Officers in consultation with the Chief Executive. This group undertake an annual assessment establishing whether governance arrangements are effective at the Authority. This is a three-pronged approach including a review of the Code of Corporate Governance, a review of the progress made in relation to the improvement plan agreed during last year's review and the annual assessment of the Authority's compliance with the Code of Corporate Governance which results in the identification of improvements to strengthen arrangements in the forward year. These are presented in April each year to Members to provide a retrospective look at governance arrangements. In relation to the 2020/21 improvement plan and prior year arrangements reporting was delayed until September 2020 as a result of the pandemic cancelling the April 2020 meeting. This meant that the improvement plan was established halfway through the year and limited the time with which to achieve its recommendations. This was a one-off event with plans being implemented in April for all other years.

The review process in each year does highlight recommendations to ensure that the Authority is on a consistent improvement journey as far as its governance is concerned. There is no evidence in any year to suggest any significant governance issues have been identified and action plans are developed to address them with immediate effect each year. Although Members are only updated annually on the Authority's performance against the recommendations these are reviewed informally, more frequently, by the PAG throughout the course of the year to allow actions to be taken in a timely manner to respond if progress is not being observed as expected.

The improvement plan each year has approximately 18 points, and although some points are consistent year on year it is clear the action plan is reviewed each year with new improvements required. Between 13-14 of the improvement points are completed by the target date in each year covered by our work. Those improvements which are not completed by the target date tend to relate to actions that are ongoing nature and therefore could benefit from more granular milestones each year to track progress more effectively. These items relate to developing a Zero Waste Strategy and undertaking a Strategic Review of services. In addition, reviewing the Service Delivery Plans miss the target date each year as this is set for March. These reviews take place in June each year, therefore could benefit from a more realistic target date. Reviewing both of these elements would improve the completion status of the improvement plans. (Improvement Recommendation 7).

Each year the recommendations within the Improvement Plan are explicitly linked to the Code and the specific principles of good governance.

Each includes details of how the recommendations will be achieved and be evidenced – this forms a sound basis for monitoring the progress of each action. The Plan and monitoring does not allocate a named officer to each action to aid accountability (Improvement Recommendation 7).

The Authority Constitution sets out the guidelines by which all Members and employees must abide in running the organisation. It sets the standards of behaviour expected. The Constitution, to ensure that it is applied universally, must be readily accessible to all Members and employees. We would also expect a key policy of this nature to be reviewed and updated every 3-5 years in order to remain relevant and fit for purpose. The Constitution available via the Authority website is dated 2015. There is evidence within the Authority Committee papers that the Constitution is reviewed, and minor updates approved annually by Members. As such it remained relevant and fit for purpose but accessibility to the most up to date version, to ensure its consistent application, could be improved. We have noted a similar issue with the Authority Whistleblowing Policy which is dated 2012. (Improvement Recommendation 8).

The Authority encourage Compliments, Comments and Complaints via a dedicated page on their website, aimed identifying instances of below standard behaviour out of line with the Constitution. A clear and easy to use form is available for the public to lodge complaints, it includes Ombudsman detail for further escalations. As such the Authority actively encourages feedback. This process is supported by a Comments and Complaints Procedure which is published online to clearly set out the process to be followed. The online version is dated November 2018, and therefore requires action to ensure it is updated within the expected 3–5-year threshold and the latest updated version is readily available (Improvement Recommendation 8).

We have not observed any regular reporting of complaints to Members at the Authority and Committee in any year, as such although feedback is encouraged there is limited evidence of it being used to facilitate improvement at the highest level of the organisation and as such is limited in its benefit (Improvement Recommendation 9).

The Authority has an Appeals Committee and an Investigating and Disciplinary Committee which investigate matters, and appeals, in relation to grievance and disciplinary matters. These committees are called as required and there are no instances of meetings being scheduled in the years covered by our work. This provides some assurance that there have been no serious complaints warranting the attention of Members. However, these do not fulfill the need to have oversight of complaints in totality to determine if there is a pattern of behaviours or changes in volume of complaints that may require a response. Annual oversight would be sufficient given the limited evidence of any issues having arisen.

Governance (continued)

Breaches of the Constitution are not commonplace at the Authority. Only one instance has been noted in the period which was rectified with immediate effect. In making the appointment of the new Chief Executive it was identified a formal Appointments Committee should have been in place approved under the Authority's constitution, however this was not in place.

Instead, Members were asked to ratify the appointment to ensure the appropriate oversight and the Authority extended the remit of its Disciplinary and Investigation Committee to fulfil this role in the future.

Compliance with laws and regulations, although the responsibility of the entire organisation, is overseen by a statutory Monitoring Officer. No evidence of non-compliance with laws and regulations has been highlighted during the period. An issue at a local authority, in a different region, highlighted a potential risk of legal claims sector wide. By way of background - In September 23 Birmingham City Council issued a section 114 notice, effectively declaring bankruptcy, amid a £760m bill to settle equal pay claims.

The claims were a result of 'task and finish' arrangements which are commonplace within the waste industry, particularly waste collection. Enquiries have confirmed that the Authority does not have such arrangements within their contracts (as a waste disposal authority as opposed to collection Authority) and so is not faced with the same risks.

Security Breaches

St Helens Council provide several support services to the Authority. These include their ledger, debtors, creditors, payroll and treasury services, as well as Internal Audit. On 21 August 2023 the Council was subject to a ransomware attack on its IT systems and network. Action was taken immediately with the Council IT department, together with a specialist Security Incident Management contractor and national cyber security organisations working at pace to maintain the security of systems and take preventative actions. Media reports highlight that by 25th August the Council had completed protective and preventative measures to protect services. Investigation and work continued to allow the Council to move to a recovery phase after working for three weeks through the "investigation and containment stage".

Due to the sensitive nature of the incident an active decision was made not to report the incident at public St Helens Council Member committees or those of the Authority.

Discussions with officers have confirmed that assurances and progress updates on the incident were provided directly, via email and via verbal update, from the Chief Executive of the Council to the Chief Executive of the Authority immediately and throughout the incident. The Chief Executive, in turn, update members in the same way. Confirmation was received that there was no data loss in relation to the Authority's information and the overall impact to the Authority has been minor, consisting only of a lack of Q2 Treasury Management Report required under their SLA due to the capacity of officers and unavailability of systems.

Conclusion

Overall, governance arrangements have remained stable throughout the period. We have identified areas for improvement, largely within the risk management space, where several points of recommendation have been highlighted. These represent actions to be taken to ensure best practice in ensuring robust governance that are effective and remain fit for purpose.

Improvement recommendations

Governance

Improvement Recommendation 5	**Risk Management** The Authority should review their Risk Management processes to ensure robust arrangements are in place to identify, monitor and report risks to the organisation. Considerations should include: • Ensuring the Risk Register is reviewed annually by Members • Undertaking a wholesale review of the current Risk Register to ensure risks are complete, manageable in number and represent only the most significant to the achievement of the Authority's strategic objectives • Making iterative improvements to the format of the Risk Register to ensure Members have a full suite of information to help aid decision making.
Audit years	2020/21, 2021/22 or 2022/23
Why/impact	The Corporate Risk Register is a key mechanism for managing risk to the achievement of the Council's strategic objectives and therefore it is important that there is a clear policy for the management of risk that can consistently applied across the organisation. This will ensure that risks are appropriately managed within the risk profile of the organisation and it is clear each individuals role and responsibility in relation to risk. To ensure that the risks within the register, supporting actions and scoring remain appropriate it is important it undergoes regular scrutiny at the top tier of the organisation.
Management Comments	The Authority is already committed to undertaking a review of its approach to risk and risk management.

Improvement recommendations

Governance

Improvement Recommendation 6	**Internal Audit** The Authority should liaise with St Helens Council, as their Internal Audit provider, to ensure an appropriate level of support is provided as well as the necessary assurances needed regarding its own processes and controls. This includes ensuring Internal Audit: • Allocate, confirm and track the number of days of resource dedicated to each audit and presenting this to Members so they can be held to account for under delivery • Presenting all reviews to Members consistently (relevant to 2020/21 only) • Ensuring sufficient scope and completion of the Audit Plan (not relevant to 2021/22) • Ensuring consistent monitoring of recommendations, particularly where high priority recommendations have been made (relevant to 2022/23 only).
Audit years	2020/21, 2021/22 or 2022/23
Why/impact	Internal Audit reports are a key source of assurance over the effectiveness of controls at the Authority, as such it is vital that an appropriate level of resource, coverage and completion is dedicated to this work to ensure that the assurances provided are reliable.
Management Comments	There is liaison with St Helens Council regularly through the year and on an annual basis to consider the level and availability of appropriate audit resources each year. All reviews are presented to Members, they go to the whole Authority (as the Authority consists of 9 Members) and it is reasonable that they all see all reports and responses (in the medical absence of the Director of Finance there may have been a short period where this did not happen). There is an annual follow up of audit recommendations by Internal Audit which is reported to the Authority. The Chief Executive has also implemented a quarterly review of audit recommendations, to ensure that they are implemented in full where appropriate.

Improvement recommendations

Governance

Improvement Recommendation 7	**Corporate Governance Improvement Plan** The Authority should consider improvements in arrangements for responding to the Code of Governance Review Improvement Plan each year by: • Allocating actions in Plan to a named officer to facilitate better accountability for delivery • Ensuring that the target date for achievement of each action is appropriate and realistic • Including more granular milestones where actions span multiple years so that progress can be tracked more effectively
Audit years	2020/21, 2021/22 or 2022/23
Why/impact	The Plan ensures that the Authority can continually improve its standards of corporate governance and demonstrate best practice. As such minor improvements to how this Plan is monitored will ensure that it effective in its purpose.
Management Comments	The actions in the plan are already allocated to named individuals, target dates are discussed and agreed in advance of the plan being finalised. More granular milestones for longer term targets will be considered.

Improvement recommendations

Governance

Improvement Recommendation 8	**Policies** The Authority should ensure that its key policies are reviewed and updated every 3-5 years, or as a timely response to a change in laws and regulation. The latest versions should be distributed to all staff and Members, made readily available and easily accessible in their most up to date form.
Audit years	2020/21, 2021/22 or 2022/23
Why/impact	Key policies such as the Whistleblowing Policy, Complaints Policy and Constitution being outdated as available on the Authority website. As such there is a risk that old policies will be accessed and applied leading to inconsistent approaches to these processes being undertaken. There is evidence that the Constitution is reviewed annually, however the updated version is not readily available following these updates. The Procurement rules included in the Constitution were updated several years after a change in regulation, this is now updated and limited changes noted. However, if repeated, this presents a risk of non-compliance with laws and regulations.
Management Comments	Policies are all due for review within a 3–5-year period, this approach is agreed and enhanced monitoring arrangements are already in place to provide assurance that the review period are met.

Improvement Recommendation 9	**Complaints** The Authority should provide Members with information to allow them to monitor complaints at least annually
Audit years	2020/21, 2021/22 or 2022/23
Why/impact	Complaints monitoring is a tool which allows Members to assess whether appropriate standards of behaviour, as set out in the Constitution, are being demonstrated at the Authority. Currently the procedures to encourage and receive feedback are in place but no monitoring of the outputs at the top of the organisation.
Management Comments	If there were a reasonable number of complaints this recommendation may be appropriate, there are not sufficient to warrant regular reporting, an annual update for Members will be considered.

Improving economy, efficiency and effectiveness

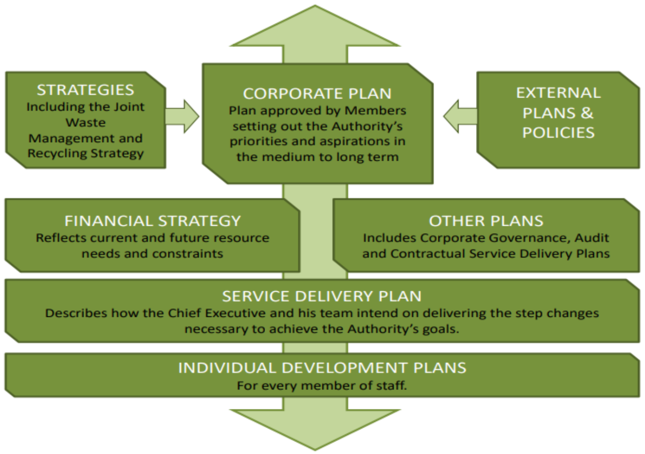
We considered how the Authority:

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

Strategic Performance Management

The Authority sets out its current priorities and future objectives in its Corporate Plan. The Plan includes the Authority's Performance Management Framework (Table 7), which has remained constant throughout the period, and sets the basis of how the Authority will know if it has achieved what has set out to each year. This essentially describes how the Corporate Plan sets the objectives of the Authority which are then translated into the actions required to meet them by the Service Delivery Plan, which then in turn informs individual development plans for staff members.

Table 7:



The Corporate Plan is reviewed, updated and approved by Members annually to ensure that it remains relevant. We have noted limited changes to the Plan in the 3 years period despite this review process, however no fundamental changes have taken place in the internal or external environment that we would expect to change the Authority's objectives.

The overarching vision within the Plan is to reduce the impact of the Authority's actions on climate change and improve the sustainable management of waste and resources. In order to achieve this, it has set 4 key objectives and series of high-level Authority wide actions it will take to achieve these:

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

The Service Delivery Plan is also set annually in line with the Corporate Plan to ensure they remain aligned; it sets actions on a departmental basis to ensure strategic level actions can be translated into deliverable step changes at a more granular level of the Authority and are delivered through the effective management of its available resource within each team.

The actions within the Service Delivery Plan centre around some common themes such as developing policies, strategies, programmes and research. Having reviewed the plans for each financial year we have identified that the actions included in each are not fully SMART (Specific, Measurable, Achievable, Relevant and Timebound) in nature and to be quite broad. An example in 2021/22 is 'To deliver a programme of Education and Awareness that supports the Authority's aims'. There is no information to determine by when the action should be delivered, by who, what that programme entails and how success will be measured (Improvement Recommendation 10).

Improving economy, efficiency and effectiveness (continued)

Operational Performance Monitoring

In order for the Authority to effectively assess whether its objectives for the year have been successfully delivered it reports performance against the Service Delivery Plan annually to Members in June each year, it is monitored quarterly by the Management Team between Committees to ensure any underperformance can be highlighted and assessed in a timelier manner. The level and frequency of oversight appropriately reflects the nature, risk and size of the organisation.

Performance against each of the actions in the Plan is demonstrated by stating whether each is complete, behind plan or not started at year end. Performance each year is approximately 95% completion rate of the actions in the Plan and therefore demonstrates strong performance. However, having reviewed the performance summary information alongside the detailed delivery plans and other information we have noted some instances of potential inaccuracy or misalignment with other information in the performance reporting. This was identified in 2020/21 and has improved in later years. Examples include the below actions:

- To deliver a Behavioural Change Programme which is cost effective and supports the ethos of waste prevention, reuse, recycling and education awareness – Action complete per the performance monitoring but underspent within the budget. The programme is a multiyear project but to be considered complete we might expect it to be delivering in full per the budget.
- To ensure that the WMRC & RRC contracts are managed effectively so that performance objectives and contract conditions are met and that the payment terms are met in a timely manner – Action behind plan per the performance monitoring but the outturn report confirms the contracts were underspent overall. As such the contracts have been managed effectively within the financial constraints of the budget, suggesting the objective has been met contrary to the corporate performance reporting.
- Deliver a Programme of Data and Information to support the Authority's aims - Action complete per the performance monitoring but underspent on Data Processing and Strategy and Resources (which includes research) within the budget. The programme is a multiyear project but to be considered complete we might expect it to be delivering in full per the budget.

Therefore, the Authority needs to ensure that a robust review process is in place for monitoring of the Service Delivery Plan which includes consistently reviewing the performance reporting within the Plan against the budget, and other supporting information, for alignment and accuracy (Improvement Recommendation 10).

Whilst the Service Delivery Plan monitoring focusses on providing the Authority with strategic performance information Management also receive operational performance information from their in-house Data and Contract Teams on a weekly basis. This information is covers performance in areas such as recycling rates, waste tonnages delivered for processing and associated costs. This information is published annually on the Authority website as Key Performance Indicator (KPI) Reporting, following weekly review by the Management Team, however there is no regular formal oversight by Members at Committee meetings (Improvement Recommendation 10).

To be effective in monitoring performance KPIs should be set ahead of the year, with a target, to enable decision makers to gauge the relative success of actual performance at year end and take action should performance be out of line with that target. The KPI performance reporting observed simply details the year end actual figures across a range of operational metrics but does not include other beneficial information such as targets, trends, comparison with prior year figures, benchmarking with national figures or similar authorities or reporting at individual district level. Consideration of these elements could lead to better quality information to support decision making, although this is not an exhaustive list and improvements to KPI reporting should be considered in the context of the organisation with the overall aim of developing a set of meaningful KPIs which reflects the nature of the organisation (Improvement Recommendation 10).

Benchmarking with other organisations is beneficial to gauge relative performance, learn from best practice and early identification of issues which can then potentially be avoided. Within the KPI reporting, and financial reporting, there is no evidence of any such benchmarking. This is an active choice by the Authority having not identified similar and relevant organisations with which to compare with. We would suggest that other waste authorities (despite some differences) and national statistics would provide some useful context and could be considered when making updates to the KPI reporting (Improvement Recommendation 10).

Although no formal benchmarking takes place the Authority do use the Oflog system to review statistics in recycling, tonnages and other information which does facilitate comparison with neighbouring authorities, internal benchmarking is undertaken by the data Team and the Chief Executive liaises with counterparts at other waste authorities to learn from those organisations.

Improving economy, efficiency and effectiveness (continued)

Operational Performance Outcomes

Table 8 summarises the annual performance KPIs published by the Authority. Overall, this demonstrates:

- Recycling rates are below the national average in all years for the Liverpool City Region (not the Authority alone).
- Recycling rates are not consistently increasing as a result of Authority and Council actions
- Waste rates are decreasing per household but the cost per household remains stable, therefore unit cost of waste is rising. This presents a potential opportunity to impact unit cost rather than focusing on demand/volume. The District Level information below at Table 9 will be important in informing this analysis.
- Residual waste levels being able to be processed for energy are decreasing, this is reducing the income that can be made from energy generation.

(Improvement Recommendation 11)

As there is a link between the objectives of the Behavioral Change Programme and recycling rates, underspends and delays in implementing the Behavioural Change Programme within the Liverpool City Region, highlight an opportunity to identify and implement a broader range of different programmes, with the assistance of the Councils in the region, taking reliance away from the current Behavioural Change Programme alone.

We have observed that in each year, the largest underspends are in the Behavourial Change Programme (BCP). The purpose of this programme is to invest in education to change the recycling and waste production behaviours of residents and ultimately increase recycling rates and reduce overall waste levels. As such, although lower than expected expenditure on the programme has had a positive impact on financial position (noted in the Financial Sustainability section), it also negatively impacts the region's ability to meet a key objective within the Authority Corporate Plan. The breakeven budget is designed each year with investment in Behavioural Change included, and therefore is designed to generate improved recycling and waste production outcomes, whilst achieving a budget position which can be accommodated within the Authority's financial risk appetite. Underspending, and therefore not achieving the desired operational performance outcomes, means the Authority is not striking an appropriate balance between financial and non-financial performance in this area. Therefore, the Authority should identify ways to commit the budgeted spend on behavioural change to effectively balance financial and non-financial outcomes (Improvement Recommendation 12)

Table 8

	20/21	21/22	22/23
Merseyside Household Waste Recycling	34.70%	36.50%	35.10%
National Average - waste from households	43.80%	44.10%	Unavailable
Recycling Across 14 Household Waste Centres	70.20%	70.30%	66.10%
Waste Produced Per Household (kg)	715	672	586
Average Cost per Household £	117	117	117
Average Cost per Person £	54	54	55
Residual Waste Processed for Energy (tonnes)	423,138	390,610	297,375
Total Wattage Produced (MWH)	166,067	168,714	129,467

Table 9 summarises tonnage information at individual District Council level provided by the Data Team which allows further analysis to determine the potential causal factors of the Authority level performance. This demonstrates that:

- Recycling rates have declined across all districts apart from St Helens Council, as such a whole region approach to restorative actions and behavioral change aspirations is required.
- Given the positive trends at St Helens there is potential to learn from the successes here and apply these to Councils in the rest of the region.

(Improvement Recommendation 11)

Improving economy, efficiency and effectiveness (continued)

Table 9

Tonnages used to calculate the WDF Recycling Rate

	% Recycled, Reused or Composted (NI192)			Tonnage Recycled, Reused or Composted (BVP182a)			Household Waste Collected		
District	***2020-21***	***2021-22***	***2022-23***	***2020-21***	***2021-22***	***2022-23***	***2020-21***	***2021-22***	***2022-23***
Halton	39.3%	36.9%	35.4%	23,561	22,137	19,254	59,883	59,958	54,461
Knowsley	28.7%	26.5%	26.3%	18,746	16,391	15,557	65,320	61,962	59,064
Liverpool	23.5%	22.9%	17.9%	48,580	44,042	32,914	206,427	192,247	183,846
Sefton	34.8%	33.2%	33.0%	43,119	39,340	35,669	124,051	118,602	108,005
St Helens	31.4%	36.8%	34.0%	22,640	25,071	21,380	72,153	68,104	62,910
Wirral	31.9%	32.3%	31.2%	42,691	41,252	36,611	133,648	127,683	117,256

	Residual Waste		
District	***2020-21***	***2021-22***	***2022-23***
Halton	36,322	37,821	35,207
Knowsley	46,574	45,571	43,507
Liverpool	157,847	148,206	150,932
Sefton	80,931	79,262	72,336
St Helens	49,512	43,033	41,530
Wirral	90,957	86,431	80,644

To support achievement of its objectives in the Corporate Plan and the Behavioral Change Programme the Authority has had a Community Fund in place since 2015. The budget has been set at £165k each year (including £15k from the voluntary sector), the fund allows organisations from the Community and Voluntary Sector to bid for investment from the Fund for projects that focus on the four priority household waste materials and aim to reduce tonnages, foster direct engagement, increase volunteer hours, host community events and deliver training. Each year the Authority reports to members on the value added by the community funding in terms of Return on Investment (ROI) and this estimates the level of financial investment that would otherwise have been required to achieve these outcomes.

- 2020/21 - return on investment (ROI) of 1: 5.7 i.e. for every one pound of investment the funding realised £5.70 in equivalent value.
- 2021/22 - achieved an added value of £10.05, giving a return on investment (ROI) of 1: 10 i.e. for every £1 pound of investment the funding realised £10.05 in equivalent value.
- 2022/23 - The 2022-23 Community Fund achieved a ROI of 1: 4.6 i.e. for every £1 pound of investment the funding realised £4.60 in equivalent value.

There is evidence that value is added each year, although this is variable, with 2021/22 being the highest level of return. This therefore provides a potential blueprint of how to maximise the benefit from investment by working with the sector to replicate or extend similar projects (Improvement recommendation 13).

Improving economy, efficiency and effectiveness (continued)

Capital

The Capital Programme is approved, revised and monitored alongside the revenue budget throughout the year and therefore is reviewed with the same frequency by Members, twice yearly, and monitored by Management quarterly. The Capital Programme in each year is relatively small, it is developed based on the anticipated spend required to extend the life of or improve the utility of the sites that are already in existence, maintained either by the contractors or by the Authority. There have been no large-scale procurements or capital projects, nor are there any plans in the medium term to undertake any such works. Therefore, although slippage in the programme each year has been observed the small scale of the programme means that the level of monitoring appropriately reflects the risk and nature of the programme.

Table 10 demonstrates the original, revised and performance against the capital programme each financial year. This demonstrates that each year the programme is overestimated at the original and revised budget in terms of what can realistically be delivered, resulting in underperformance each year. Discussions with officers has highlighted that this is due to the approach taken in building the programme which is to include prospective sums for projects before proposals are fully developed and approved. This has resulted in several projects remaining in the programme and being rolled forwards each year despite limited progress in completing them to allow ongoing discussions with partners and contractors which would cease should the project be removed from the programme. This is an overly optimistic approach to the programme and presents itself as ongoing slippage each year. Therefore, the Authority should undertake a full refresh and reprofiling exercise to ensure the programme is realistic (Improvement Recommendation 14).

Table 10

Financial Year	Original Programme	Revised Programme	Outturn
2020/21	£237k	£237k	£4.5k
2021/22	£1.2m	£685k	£612k
2022/23	£607k	£132k	£103k

More than 100 schools in England have been told they must close some buildings over concerns of sudden collapse due to the use of reinforced autoclaved aerated concrete (RAAC) in their construction. Although the media has focused on the use of this material in schools its potential use is not limited to this type of construction. Therefore, should RAAC be present in the estate of an organisation there is a risk of collapse and costly additions to capital programmes to rectify possible collapses/replacement work. Enquiries with the Estates Team at the Authority have confirmed, following review of the estate, that no such risks have been identified.

Procurement

As noted elsewhere in the report the Authority has two main contracts in place which facilitate the disposal and recycling of the waste collected by Councils in Merseyside, delivered to the Authority. These contracts have been in place for several years and therefore there has been very limited procurement activity, none of which has been of a significant value or scale.

Both contracts have been reviewed by Internal Audit in 2020/21 and 2021/22 who have provided strong positive assurances that the contracts are well managed in their current format. Contract Management is due to be reviewed by Internal Audit in 2023/24 to ensure ongoing assurances in this key area of expenditure are received. The Authority has a dedicated Contract Managed Team to ensure that sufficient focus is placed on this significant area of operations. This team is lead by the Operations Director and regularly liaises with Finance, the Chief Executive, Members and District Council counterparts.

Despite limited procurement activity the Authority ensures that has developed the necessary underlying policies to support this activity as an when it arises. Within the Constitution are the Tender Opening Procedure and the Contract Procedure Rules, and therefore are subject to review within the Constitution each year. In June 2022 the Contract Procedure Rules were updated to ensure compliance with the Public Contracts Regulations 2015 retrospectively. There is a significant time-lag between the date of the regulations coming into effect and the updates taking place and therefore the Authority may wish to explore how it can better anticipate and plan for such regulator changes. We note that the changes made as a result of the review were not extensive and therefore no significant concerns regarding non-compliance were apparent. This links with our improvement recommendations in relation to the Constitution within our Governance section (Improvement Recommendation 8).

Improving economy, efficiency and effectiveness (continued)

Internal Audit undertook a review of Procurement in November 2022 which received Limited Assurance and therefore requires improvement to ensure controls are designed and are operating effectively and consistently. The review did not highlight any issues with the Contract Procedure Rules themselves, rather examples of non-compliance and inconsistent application of the rules were observed. The Authority was in the process of updating the Rules at the time the results of the review were reported. To ensure they are effective and consistently our recommendations would agree with Internal Audit's view that they should be redistributed to all staff, training on the rules be provided and reinforce a culture of rejecting procurement requests where rules are not met. Discussion with Officers has confirmed actions have already been taken to address these recommendations with immediate effect and they have been responded to in full. A follow-up review by Internal Audit will be required to confirm the effectiveness of the response.

Following the Internal Audit review the Authority commissioned an external consultancy to undertake analysis of the Procurement System to pinpoint specific improvements that would respond to the Internal Audit recommendations. The new Chief Executive has committed to reviewing a series of internal processes, including Procurement, taking on board the recommendations and determining the establishment and resource required to achieve these. The Authority has also since implemented the MyTender system in order to make the process more standardised, taking a first step on their improvement journey.

Given there are a number of recommendations, from two different reports, in the Procurement space and the Authority is currently considering options for an upcoming major procurement we would suggest that a detailed action plan to respond to the findings is developed and monitored at least quarterly by Members and Officers to ensure improvements embed prior to the procurement taking place. The plan should include specific actions against each recommendation, clear milestones and allocation to a responsible individual to ensure accountability can be upheld (Improvement Recommendation 15).

The Authority's Waste Management and Recycling Contract (WMRC) with Veolia comes to an end in 2029 and therefore a procurement exercise will be required to identify a suitable contractor to take over the responsibilities of this contract. Despite the contract end being 6 years away this will be a major procurement which requires forward planning. There is evidence planning has already begun with Officers initiating discussions with Councils within the region and formally reporting to Members in April and September 2023. These reports demonstrate that the Authority is aware of the key steps that need to be taken to facilitate successful procurement and are in the process of understanding potential delivery models, available resources and governance arrangements required.

To facilitate the previous procurement of the two key contracts the Authority established an in-house procurement team, on a temporary basis, led on a consultancy basis by a temporary Procurement Director to guide the Authority through the detailed procurement processes and challenges. The Authority has a relatively small number of staff, approximately 30. Analysis has identified that the current establishment has the capacity, skills and knowledge to focus on the day-to-day functions of the Authority. Therefore, there is limited scope for them to be involved in a procurement of this scale.

Following a review by North West Employers and discussions with waste authorities which have gone through similar procurements more recently the Authority has taken the decision to create a Procurement Director post to manage the process, this seeks to ensure the relevant skills and capacity are available to support the project. Delivery options for the procurement and contract are expected to be collated and presented to Members in 2024. Therefore, overall, the evidence suggests appropriate advanced planning and communication in preparation for the project.

Climate Change

The UK Government has a target of 100% reduction in greenhouse gas emissions (compared to 1990 levels) in the UK by 2050. Central Government has set no target for Local Authorities to translate this national aim at local level, however many local authorities have declared climate emergencies and started to develop plans to work towards this national objective. Members at the Authority declared a climate emergency on Friday 18th October 2019 whilst simultaneously agreeing to develop a new Zero Waste 2040 Strategy and an Action Plan for Resource and Waste Management at the earliest opportunity.

The Authority sets out its vision in its Corporate Plan "To ensure that we reduce the impact of our actions on climate change and improve the sustainable management of waste and resources." This reinforces the Authority's commitment to climate change and sustainability.

The Authority has also developed its Climate Change Action Plan to work towards its vision. This was initially developed and approved in January 2020. The Plan committed to reducing the climate change impacts associated with the Authority's activities via a series of high level actions. The initial Plan made immediate commitments for 2020/21 along with nine core actions in the short- to medium-term (1-3 years), aligned to the 6 relevant UN Sustainable Development Goals (SDGs) for the Authority . As the climate change agenda was in its infancy this was reflected in the Plan as many of the actions centred around gaining initial understanding via studies, scoping and metric development as opposed to more tangible projects.

Improving economy, efficiency and effectiveness (continued)

The Plan is reviewed every two years to ensure it remains relevant to a dynamic situation, therefore the 2020 Plan has now been superseded by the Climate Action Plan 2022. The mitigation of carbon emissions was set as the priority and cornerstone of the work within each Plan. The updated Plan notes good progress achieved in the previous two years by completing a carbon emissions baseline study, creating a tool to measure emissions annually and assessing the key materials in the waste received to help prioritise actions to reduce waste and climate impacts. The updated Plan continues to build understanding through research but demonstrates a shift in focus towards developing programmes and resources to respond. There is no specific dedicated budget observed in each of the financial years due to the climate change activities in the 2020 Plan having little no financial impact. As the Plans have developed, and continue to develop, the Authority will need to ensure the Plans and budget align. The same is true of the Capital Programme as underspends on climate related schemes have been observed each year, such as Electric Vehicle charging points. This suggests the Programme is inaccurately profiled when compared to Climate Change Plans (Improvement Recommendation 16).

Alongside the internal Climate Change Plan the Authority has been working with its partners in the Liverpool City Region (LCR) to develop a Merseyside-wide Zero Waste Strategy. Members of all of the partner Councils and the Authority were presented with and approved the LCR Zero Waste 2040 Strategic Framework in February 2023. This will inform the Authority's own Zero Waste Strategy to ensure alignment with the region. This is in development and once in place we might expect that the Authority would develop and implement a framework to monitor progress against. Consideration should be given to including milestones over the life the strategy, responsible individuals, a reporting mechanism and a budget. The Authority has reported progress against its Climate Change Plans to Members in April 2021 and June 2022, with positive progress noted and shift from research and understanding activities to developing programmes and resources to respond to the Climate Emergency. There have been no further reports to Members since this date and therefore suggests there is no formal monitoring framework in place for actions against the Plan. Therefore the development of the Zero Waste Strategy presents an opportunity to develop an effective monitoring framework. In the meantime the Authority may wish to consider monitoring progress of the current Climate Change Plan more frequently to inform the development of the Zero Waste Strategy and ensure the monitoring of actions is a business as usual task in advance of the Strategy being implemented (Improvement Recommendation 16).

In addition to the Climate Change Plans the Authority also has an Environment Policy and a Sustainability Policy which contribute to the meeting of climate related objectives. As the Zero Waste Strategy is developed this provides the opportunity to review each of these policies, consolidate and streamline to avoid duplication of actions and application of a consistent approach (Improvement Recommendation 16)

The Authority established an internal Carbon Working Group in January 2020. The Group have been vital in collating the information to date that has allowed the Climate Change Action Plan to be developed and monitored and input into the LCR wide Zero Waste Strategy. Their role will remain pivotal to moving the Authority own strategy forwards and effectively monitoring success and performance against that strategy and the existing climate change action plan.

Partnerships

The Authority's key operational partnerships are those with its contractors, Merseyside Energy Recovery Limited (MERL) for the Resource Recovery Contract (RRC) and Veolia ES Merseyside for the Waste Management and Recycling Contract (WMRC). Its strategic partnership is with Merseyside District Council's in the Liverpool City Region (LCR), whom the Authority provide services to but also work collaboratively with to impact waste related behaviours, climate change and implement laws and regulation.

Although, typically, the contract arrangements are relationship whereby the contractor receives payment from the Authority for their services the RRC contract includes an income sharing provision within it that, with effective management, means the Authority can also benefit from the arrangements. The contractor disposes of residual waste on behalf of the Authority and transfers this by train to an Energy from Waste (EfW) plant where it is used to create heat and power. Where there is available capacity in the plant the contractor is able sell this onwards this to dispose of, and generate heat and power, from third party waste in addition to that from the Authority. This generates additional income, which under the contract arrangements, is able to be shared with the Authority. As such there is an incentive to reduce residual waste levels to generate opportunities for income. In each year's budget, it is noted that the EfW is working at more or less full capacity in disposing of the Authority waste. In addition to this in the 2022/23 financial year limitations on the ability to generate this additional income were exacerbated due to technical issues at the EfW plant and rail sector industrial action leading to periods of down time. This has been rectified and no further issues noted

Improving economy, efficiency and effectiveness (continued)

Large scale income sharing arising from reduced waste delivered by the Authority, freeing up space for third party commercial wastes in the EfW, are seeming less fruitful than may have anticipated when the contracts were developed and therefore this is an area that should be explored further to maximise income generation opportunities (Improvement Recommendation 17).

The Liverpool City Region Strategic Waste Management Partnership's purpose is to collectively address regional waste management issues and provide a single voice on waste management affairs. The Authority has been part of the Partnership since January 2022 and is therefor represented at it's quarterly meetings. Areas of particular consideration include implications of new waste management legislation, housing growth, the environment and climate emergency and the financial pressures on regional waste management.

In 2016 the District Councils of the Liverpool City Region (LRC) commissioned Local Partnerships to undertake a strategic review of waste management within LRC. The strategic review was delivered in December 2016 and it identified potential savings, efficiencies from closer working relationships across the six waste collection authorities and the Authority and recommendations for improved governance arrangements. An updated report was commissioned which was finalised in August 2023. The scope of this project was to undertake a light touch review of the 2016 report to identify any changes in light of the Environment Act 2021, other forthcoming regulations, and review the governance section, bringing the strategic review up to date for 2023.

As set out in the 2016 strategic review, collaboration on the delivery of waste services can be achieved in several ways, examples provided demonstrate progressively deepening the levels of collaboration and coordination involved. The 2023 review has identified that of the 5 potential example models, progress has been made in relation to the 3 of these

- informally by collaborating on particular tasks or skills;
- organisationally – using delegation of functions; and
- contractually through an inter-authority arrangement.

The Environment Act 2021 introduces significant new challenges for waste management, due to be implemented by 2026. The changes imply a need to review existing waste strategies and the contracts that underpin the current arrangements.

The review understands that much of this work is already in hand and we have observed early evidence of discussions, particularly around the treatment of food waste. We have noted that this dialogue will need to remain frequent and consistent to allow members to be well informed of the response and prompt a continued joined up effort.

At this stage, the review follow up does not imply an inevitable move towards the final two models indicated – structural changes or a single Liverpool City Region Waste Management Authority. Therefore, the updated review retains its previous recommendations and overall supports more joint working for greater efficiencies. At this point in time progress has been identified in relation to the review and discussions have been launched in relation to the incoming Environment Act, however this is still room for further collaboration opportunities to be explored and the dialogue in relation to the Act to be reignited.

The Authority forms part of the Joint Recycling and Waste Management Strategy (JRWMS) with the other Merseyside District Councils. The Strategy covers 2011 to 2041 and is supported by a Memorandum of Understanding (MoU) which sets out the governance arrangements in place between all bodies involved. The strategy includes a series of aims and objectives, most notably to have met a 50% recycling target by 2020. In April 2014, shortly after the development of the Strategy, the Authority set up and distributed its Waste Development Fund of £28.9M to constituent District Councils with the aim of supporting the delivery of the objectives of the Strategy. Each November the Authority has received an update, and assurances, from the Councils as to how the funds have been utilised and Members are updated on this. Knowsley Council, Liverpool City Council, Sefton Council have fully spent their allocation prior to the 2020/21 report and therefore there is no longer a requirement for any reporting back to this Authority regarding the way the funds were allocated for use. Each remaining Council (St Helens and Wirral) has continued to provide assurance their expenditure, current and planned continues to meet the objectives. Despite this we have noted that recycling rates have not reached 50%. However, the national average is also below 50%, suggesting challenges in this area on a national scale.

Improving economy, efficiency and effectiveness (continued)

Conclusion

Overall, although we have identified areas for improvement in arrangements, these represent actions to be taken to ensure best practice in ensuring robust arrangements for achieving economy, effectiveness and efficiency and do not represent a weakness in current arrangements. The Authority's arrangements have remained fairly stable throughout the period and under the new Chief Executive we note a commitment to implement the recommendations of a series of external reviews in order to propel the Authority forwards on its continuous improvement journey.

Improvement recommendations

Improving economy, efficiency and effectiveness

Improvement Recommendation 10	**Non-Financial Performance** In order to ensure that measuring and monitoring of non-financial performance, strategically through the Service Delivery Plan (SDP) or operationally via Key Performance Indicator (KPI) reporting, is effective the Authority should consider: • Ensuring that the actions included within the SDP are SMART (Specific, Measurable, Achievable, Relevant and Timebound) • Ensuring that the performance reporting within the SDP is cross checked against the budget, and other supporting information, for alignment, consistency and accuracy • Ensuring Members have at least annual oversight of KPIs for scrutiny and challenge • Updating the KPI reporting to develop a set of meaningful KPIs which reflects the nature of the organisation
Audit years	2020/21, 2021/22 and 2022/23
Why/impact	Performance reporting is a vital tool in allowing the Council to assess if it is successfully meeting its corporate objectives and therefore it should be reviewed with sufficient regularity, in a timely manner and sufficiently detailed to allow this assessment to be made.
Management Comments	The Authority was already pro-actively reviewing the performance management framework and will consider the recommendations as a part of that review.

Improvement recommendations

Improving economy, efficiency and effectiveness

Improvement Recommendation 11	**Recycling Rates** In order to improve recycling rates towards national averages and achieve consistent increases year on year the Liverpool City Region, of which the Authority plays a role, should: • Diversify its approach to improving performance by identifying and implementing a broader range of different programmes. This can be achieved with the assistance of the Councils in the region, shifting reliance away from the current Behavioural Change Programme. • Focussing on actions which impact the unit cost of household waste as well as demand side factors. • Identify the causal factors and actions taken to achieve the improved performance in St Helens Council and work with other districts to replicate these
Audit years	2020/21,2021/22 and 2022/23
Why/impact	Historically there has been an EU target for the UK to recycle at least 50% of household waste by 2020. More recently, The government's Circular Economy Package (July 2020) includes a target to recycle 65% of municipal waste by 2035. The legalisation to implement this has not been released by Defra. The Authority overall, based on total figures for the region, is performing below the nation average. In addition to the savings benefits of increasing recycling rates from lower residual waste volumes, an increase in recycling rates could reduce load on the Energy from Waste faciality, permitting the contractor to sell additional capacity which would in turn permit the councils to benefit, via a gain share mechanism, in the increased revenue flowing to the Authority.
Management Comments	We will continue to work with the partners in the Joint Waste Partnership to identify ways of improving recycling rates. A simplistic reference to a partner with slightly higher recycling rates than others takes little or no account of the additional cost of providing those services, which is a significant consideration for other councils in the partnership. Recycling rates will change with the introduction of the simpler recycling provisions as set out by Government.

Improvement recommendations

Improving economy, efficiency and effectiveness

Improvement Recommendation 12	**Behavioural Change Programme** In order to increase recycling rates across the region the Authority should prioritise investment in the Behavioural Change Programme and ensure that underspends observed in the budget are addressed as a priority. Ensuring sufficient staffing and capacity is available to fulfil the needs of the programme is vital.
Audit years	2020/21, 2021/22 and 2022/23
Why/impact	Recycling is a key objective included within the Authority's Corporate Plan and a strategic aim for the Liverpool City Region. The purpose of the Behavioural Change Programme is to focus on educating residents in order to positively impact waste and recycling related behaviours and trends, therefore it is key in meeting these strategic objectives. Investment in the Programme ensure sufficient capacity provides the opportunity for future cost savings through waste reduction across the region. Therefore the Programme effectively balances the financial and non-financial objectives of the Authority
Management Comments	The programme is back on track. The principles of the recommendation are agreed, finding additional resources to support more projects will be key.

Improvement recommendations

Improving economy, efficiency and effectiveness

Improvement Recommendation 13	**Community Fund** The Authority should liaise with the Community and Voluntary sector to identify new or extend existing projects, similar to those which generated a high return on investment in 2021/22 from the Community Fund.
Audit years	2022/23
Why/impact	The Community Fund was set up support achievement objectives in the Corporate Plan and the Behavioral Change Programme. It encourages the Community and Voluntary Sector to bid for investment from the Fund for projects that focus on the four priority household waste materials and aim to reduce tonnages, foster direct engagement, increase volunteer hours, host community events and deliver training. Each year the investments have generated a positive return on investment and this was highest in 2021/22 at a return of £10.05 for every £1 invested.
Management Comments	The Authority reviews the Community Fund each year and determines the priorities for the fund which are linked to target materials that contribute to more effective recycling rates.

Improvement Recommendation 14	**Capital** The Authority should undertake a full refresh and reprofiling exercise to ensure the Capital Programme is realistic in its expectations
Audit years	2020/21,2021/22 and 2022/23
Why/impact	The slippage identified within the programme is due to several projects remaining in the programme and being rolled forwards each year despite limited progress in completing them. The capital programme is relatively small, however including projects that are unlikely to progress is an opportunity cost of time that could be spent discussing and developing projects that would meet objectives.
Management Comments	The way the capital programme is being put together is already subject to review, bringing broader authority objectives into consideration. It is likely that the approach will continue to develop and improve as a likely estates review linked to the proposed procurement of a new contract may give rise to a programme of investment as facilities are upgraded and changed to deal with the revised contract and the changes to the services that will be likely.

Improvement recommendations

Improving economy, efficiency and effectiveness

Improvement Recommendation 15	**Procurement** The Authority should develop a detailed action plan to respond to the findings of the Internal Audit and External Consultant's reports in relation to Procurement processes. This should be formally monitored at least quarterly by Members and Officers to ensure improvements embed prior to procurement activities taking place for replacement of the Veolia ES Merseyside contract. The plan should include specific actions against each recommendation, clear milestones and allocation to a responsible individual to ensure accountability can be upheld
Audit years	2022/23
Why/impact	Several recommendations for improvement have been made from two reports, Internal Audit and External Consultant which suggests that processes are not effective in their purpose. To ensure the required improvements are made it is important that progress can be effectively tracked and intervening actions taken as required where progress is not being observed. In addition the Authority is preparing for a major procurement process, for this to be successful the underlying governance arrangements need to be effective. Therefore it is imperative the improvements progress and are complete in advance of this process.
Management Comments	The Authority appointed an external consultancy to review all of its approaches to procurement and to update its documentation and governance, this review has concluded, and the documentation is now available. The Authority has appointed a Procurement Director on a consultancy basis to develop a plan and lead the significant procurement – the Director's plan is providing a means of leading and monitoring the procurement process. A procurement project team is being recruited, with one of the team already in place and another in the process of being appointed.

Improvement recommendations

Improving economy, efficiency and effectiveness

Improvement Recommendation 16	**Climate Change** To ensure their response to climate remains effective, as climate change plans develop, the Authority should: • Review climate change plans alongside the revenue budget and Capital Programme to ensure they align in terms of their investment and profiling of expenditure. • The development of the Zero Waste Strategy presents an opportunity to develop an effective monitoring framework. In the meantime the Authority may wish to consider monitoring progress of the current Climate Change Plan more frequently to inform the development of the Zero Waste Strategy and ensure the monitoring of actions is a business as usual task in advance of the Strategy being implemented • Review each of the existing climate and environment related policies whilst developing the Zero Waste Strategy and aim to consolidate and streamline these, avoiding duplication of actions and ensuring application of a consistent approach
Audit years	2020/21,2021/22 and 2022/23
Why/impact	Historically there has been an EU target for the UK to recycle at least 50% of household waste by 2020. More recently, The government's Circular Economy Package (July 2020) includes a target to recycle 65% of municipal waste by 2035. The legalisation to implement this has not been released by Defra. The Authority overall, based on total figures for the region, is performing below the nation average. In addition to the savings benefits of increasing recycling rates from lower residual waste volumes, an increase in recycling rates could reduce load on the Energy from Waste faciality, permitting the contractor to sell additional capacity which would in turn permit the councils to benefit, via a gain share mechanism, in the increased revenue flowing to the Authority.
Management Comments	The Authority's capital strategy sets out how both capital and revenue expenditure is linked to the Authority's objectives, including the climate. This will be reviewed again as part of the budget process. The Authority leads the City Region and partners in the development of a Zero Waste Strategy and the policies that underpin it.

Improvement recommendations

Improving economy, efficiency and effectiveness

Improvement Recommendation 17	**Income Generation** The Authority should work with the District Councils in the region, and Merseyside Energy Recovery Ltd as the Resource Recovery Centre (RRC) contractor, to explore ways in which income generation opportunities can be maximised from the income sharing arrangements in place. Large scale income sharing is most likely to be achieved from reduced waste delivered by the Authority freeing up space for third party commercial wastes in the Energy from Waste plant
Audit years	2020/21,2021/22 and 2022/23
Why/impact	One of the objectives of the Authority is to be able to fulfil its statutory and fiduciary duties whilst not overburdening local authorities with increases in the Levy, the ability to make savings or generate additional income increase the possibility of the Authority achieving this objective each year.
Management Comments	The approach to simpler recycling is likely to change to dynamic between recycling and residual waste, such that opportunities for additional third-party income may increase, which may lead to an income share for the Authority, under the terms of the contract. However, with additional home building proposals across the City Region and the government's commitment to house building, it is likely that any additional capacity will be taken up by residual waste from new housing, making additional income on a large scale less likely.

Follow-up of previous recommendations

Members were presented with an Interim VFM Report by Grant Thornton in September 2022. The report was a focussed piece of work relating to the entire City Region, including the Authority. It focussed on assessing the effectiveness of arrangements for the Authority and Councils across the City Region working together in delivering the strategic waste agenda for the region. A number of the conclusions and recommendations are not solely for the Authority to consider but these have been followed up to assess effectiveness of the Authority role in the response.

	Recommendation	Responsibility	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The Merseyside Councils and the Authority should work closely to review the recommendations of the Local Partnerships' Strategic Review of Waste Management (2016).	Liverpool City Region collectively (including the Authority)	Improvement	September 2022	A follow up review was commissioned and completed, this resulted in an updated report which was released in August 2023. As set out in the 2016 strategic review, collaboration on the delivery of waste services can be achieved in several ways, examples provided demonstrate progressively deepening the levels of collaboration and coordination involved. The 2023 review has identified that of the 5 potential example models, progress has been made in relation to the 3 of these 1. informally by collaborating on particular tasks or skills 2. organisationally – using delegation of functions and 3. contractually through an inter-authority arrangement. The Environment Act 2021 introduces significant new challenges for waste management, due to be implemented by 2026. The changes imply a need to review existing waste strategies and the contracts that underpin the current arrangements. The review understands that much of this work is already in hand and we have observed early evidence of discussions, particularly around the treatment of food waste. We have noted that this dialogue will need to remain frequent and consistent to allow members to be well informed of the response and prompt a continued joined up effort. At this stage, the review follow up does not imply an inevitable move towards the final two models indicated – structural changes or a single Liverpool City Region Waste Management Authority. Therefore the updated review retains its previous recommendations and overall supports more joint working for greater efficiencies. At this point in time progress has been identified to date and the Authority have responded that they will continue to work alongside the Joint Waste Partnership	Partially	As the updated report was released in the 2023/24 financial year a review of the effectiveness of the response to this will be undertaken as part of our 2023/24 VFM work, to allow the Authority and the region time to demonstrate a response to the latest review.

Follow-up of previous recommendations

	Recommendation	Responsibility	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
2	The MWDA, Merseyside Councils and Halton Council should continue to work together to review and conclude upon the optimal governance model to ensure transparency and collaboration and to drive economy, efficiency and effectiveness for waste management services.	Liverpool City Region collectively (including the Authority)	Improvement	September 2022	The Authority have responded that that the Joint Waste Partnership demonstrates a commitment to working together, but the response should come also from individual Councils.	Partially	A watching brief will be kept and impact of Authority controlled actions reported upon in 2023/24.

Follow-up of previous recommendations

	Recommendation	Responsibility	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
3	The Members on the Board of the MWDA include the portfolio holder for waste to ensure that a high quality discussion is enabled during strategic discussions. It could also be beneficial for these Members to have a formal requirement to report back to Members at their own council meetings on waste disposal matters – ensuring a feedback loop is enabled between councils and the MWDA.	Individual Districts within the Liverpool City Region	Improvement	September 2022	The Chief Executive in her new role has fostered greater engagement with Leaders and the Chief Executives of District Councils in the region, via this route this recommendation has been re-raised. Appetite currently seems limited to fulfil the recommendation by the individual Councils. To fulfil the need for greater engagement and quality discussion the Chief Executive of the Authority held an 'away day' session in September 2023. It was well attended by Leaders, Authority Members, Chief Executive and Executive/Portfolio Holders as required from of the Districts and focus on future ambitions of each district and the Authority and potential collaboration. Due to its success another session is expected in January 2024. Page 36 also includes details of further activity that has been undertaken more recently to foster greater engagement. We are satisfied actions have been taken and will keep a watching brief to understand the impact this has had in 2023/24. It is noted that the actions the Authority themselves can control have been undertaken and the 'partial response' refers to the action now needed from the individual Districts. The Authority have confirmed that their actions have resulted in progress to date and this will continue.	Partially	A watching brief will be kept and impact of Authority controlled actions reported upon in 2023/24.
4	Following consideration of the levy mechanism, the Council should work closely with all Merseyside Councils in order to collectively ratify any proposed amendments.	Liverpool City Region collectively (including the Authority)	Improvement	September 2022	The Levy Mechanism has remained consistent throughout the setting of the 20/21 to 23/24 budgets. It has been further clarified that the Authority themselves have no power to change the Levy mechanism, however there remains the opportunity for the region to collectively review this within the parameters allowable under the agreement terms. The Authority is working with Treasurers and Directors of Environment at Councils to establish proposals for a new levy mechanism	No	Recommendation remains relevant and should be continued to be addressed following the clarification noted.

Follow-up of previous recommendations

	Recommendation	Responsibility	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5	Regular and formal briefings are provided to the Chief Executives Group and/or Members by the MWDA on waste disposal matters (including provision of key performance indicators in the form of a regularly tabled dashboard so that trends can be considered).	Individual Districts within the Liverpool City Region	Improvement	September 2022	Although this is not directed at MRWA the CEX has led on bringing all parties together to develop a joint approach to the wider waste system and to working together. The Chief Executive in her new role has fostered greater engagement with Leaders and the Chief Executives of District Councils in the region. This has resulted in the 'away day' noted at Recommendation 3. These discussions are currently informal in nature and therefore there is potential to formalise these communications to ensure they are regular, result in clear actions that can be followed up and assist in holding relevant officers to account for delivery of those actions. Page 36 includes further details of engagement activity. We are satisfied actions have been taken and will keep a watching brief to understand the impact this has had in 2023/24. It is noted that the actions the Authority themselves can control have been undertaken and the 'partial response' refers to the action now needed from the individual Districts.	Partially	A watching brief will be kept and impact of Authority controlled actions reported upon in 2023/24.

Follow-up of previous recommendations

	Recommendation	Responsibility	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
6	MWDA should ensure that each Merseyside Council provides an annual performance report and letter of assurance to the September MWDA authority meeting as committed to through the Merseyside Waste Partnership Memorandum of Understanding (2014).	Individual Districts within the Liverpool City Region	Improvement	September 2022	The Authority is party to the Joint Recycling and Waste Management Strategy (JRMWS) with the other Merseyside district Councils, supported by a Memorandum of Understanding. Within this each partner is committed to produce and maintain an action plan which sets out interim targets (most notably recycling at 50% by 2020) that when considered collectively seek to achieve the shared JRWMS aims and objectives. The November 2020, 2021 and 2022 Authority Committee meetings have received an update on the Waste Development Fund. This report provides assurance by District Councils regarding the way they have spent the monies allocated to them from the Fund on actions that achieve the shared objectives of the JRWMS. Each Council has provided assurance that its expenditure from the Fund meets the shared objectives of the JRWMS. This reporting also includes data on recycling rates performance at district and Merseyside level. The data is available until 2021/22, with no 2023 reporting observed. No reporting in relation to the action plans agreed have been identified within the reports to Members and therefore reporting is limited to recycling rates compared to the 50% target. The Authority has confirmed that the reporting by Councils has concluded but in order to continue to respond they can seek further information.	Partially	Recommendation remains relevant and should be continued to be addressed by the districts within the region.

Follow-up of previous recommendations

	Recommendation	Responsibility	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
7	The MWDA should provide a report on its own performance at each of the Merseyside Councils' scrutiny panels (or equivalent), as committed to through the Merseyside Waste Partnership Memorandum of Understanding (2014).	The Authority	Improvement	September 2022	No evidence noted from Council committee papers. The Authority has confirmed that they receive reports on performance annually, outside of Committee meetings to allow performance to be reviewed. The report is on the open agenda. At the same time for each of the Councils a Member of the Authority is nominated annually to report back to the Council on the activities of the Authority. The Chief Executive also offers to visit scrutiny panels at each Council to provide updates on performance and current issues.	Yes	No
8	Members are provided with the performance context alongside the cost of waste management, e.g. KPIs which include benchmarking with national average / targets in relation to recycling rates / cost of waste management.	The Authority	Improvement	September 2022	We have not noted any formal benchmarking within the KPIs published on the Authority website. We have been provided with tonnage data from the Data Team which provides useful inward looking information for each District and for the Authority as a whole. Within this there is little comparison with national averages, other waste authorities and other Councils. We do believe there is some scope for the Authority to review and consider how it can update its performance reporting to develop a set of meaningful KPIs which reflects the nature of the organisation. This could include benchmarking but we have updated our recommendation to provider greater scope to the Authority on how they can achieve this improved reporting, as benchmarking alone is not the only method by which this could be improved.	No	Recommendation remains relevant but has been superseded by Recommendation 10.

Follow-up of previous recommendations

	Recommendation	Responsibility	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
9	The Councils should consider its recycling rates in line with the national average and in the context of incoming national targets (65% by 2035). They should put in place plans for improving efficiency and effectiveness in this area, working with the MWDA.	Liverpool City Region collectively (including the Authority)	Improvement	September 2022	Recycling rates have reduced between 2020/21 and 2022/23 at all District Councils and for the region as whole, with the exception of St Helens Council (see Table 8 and 9 in 3E's section). Liverpool Council has shown the largest decline. Therefore actions taken are yet to have the desired impact. The Behavioural Change Programme has been underspent against budget (often revised downwards budget estimates) in each financial year. This should continue to be a priority within the budget of the Authority and the individual districts, along with identifying a broader range of programme which to encourage recycling activity. The Authority have confirmed they are working alongside constituent Councils in the Joint Partnership to seek to address the issues. This will be a key element of the procurement going forwards.	No	See Recommendation 13
10	MWDA should work with its board members (including any required consultations with the respective Merseyside Councils) to take decisions as to the long term treatment of rising waste tonnages, which cannot be treated within existing contracts. This includes consideration of the course of action on the impending expiry of the waste management and recycling contract in 2029.	The Authority	Improvement	September 2022	Reporting relating to the expiry of the Veolia contract have been taken to Members in April and September 2023 to initiate discussions in preparing for the procurement exercise. The first steps have been to agree that the Chief Executive should identify and appoint a Procurement Director for an interim period to develop the initial procurement plans for the Authority, rather than the initial consideration of developing an in-house team. This is to ensure sufficient expertise and capacity for what is a major procurement. The Chief Executive has begun to explore the options available in the marketplace to potentially provide Procurement Director support for the Authority. The papers communicate the need for Members to be involved in the development of a procurement strategy. Therefore, the Authority are in the very early stages of this procurement process and are building the foundations before any options, including financial analysis, are considered. Members have been informed at each stage of the procurement process and the new Procurement Director is building effective Governance arrangements to ensure the delivery of the project.	Partially (in progress)	Effectiveness of the procurement process to be followed up as part of 2023/24 work once the process has progressed beyond early stages.

Follow-up of previous recommendations

	Recommendation	Responsibility	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
11	The levy could be updated to distinguish between collection of recyclate vs residual tonnage to incentivise recycling amongst the Merseyside Councils.	Liverpool City Region collectively (including the Authority)	Improvement	September 2022	The Levy Mechanism has remained consistent throughout the setting of the 20/21 to 23/24 budgets. It has been further clarified that the Authority themselves have no power to change the Levy mechanism, however there remains the opportunity for the region to collectively review this within the parameters allowable under the agreement terms. The Authority is working with Treasurers and Environment Directors from the City Region to address the need to update the Levy, but it remains a decision for constituent Councils.	No	Recommendation remains relevant and should be continued to be addressed following the clarification noted.
12	The levy could be updated to make the Merseyside Councils accountable for delivering waste at Band 3 levels to incentivise reduction in residual waste tonnages. If the 'levy' does not reflect the payment mechanism with the disposal contractor, there is a risk that a participant council will not be held to the agreements and forecasts that informed the payment mechanism with the contractor	Liverpool City Region collectively (including the Authority)	Improvement	September 2022	The Levy Mechanism has remained consistent throughout the setting of the 20/21 to 23/24 budgets. It has been further clarified that the Authority themselves have no power to change the Levy mechanism, however there remains the opportunity for the region to collectively review this within the parameters allowable under the agreement terms. The work set out at Recommendation 11 above will provide a modern solution that reflect the changes arising from simpler recycling in the run up to ETS.	No	Recommendation remains relevant and should be continued to be addressed following the clarification noted.

Opinion on the financial statements

Audit opinion on the financial statements

The audit of the financial statements from 2018/19 and 2019/20 remains ongoing. The audits of 2020/21, 2021/22 and 2022/23 have not yet started due to the delays with the prior year accounts. We have issued a statutory recommendation due to concerns about capacity within the Authority's finance team. We continue to work with the Finance Team to ensure audit queries can be resolved. Ongoing updates are provided to Members at each Authority Committee meeting.

Audit Findings Report

More detailed findings can be found in our AFR, which will be published within the Authority Committee papers upon completion of the audit for each financial years' accounts.

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

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

Appendices

Appendix A – Responsibilities of the Authority

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

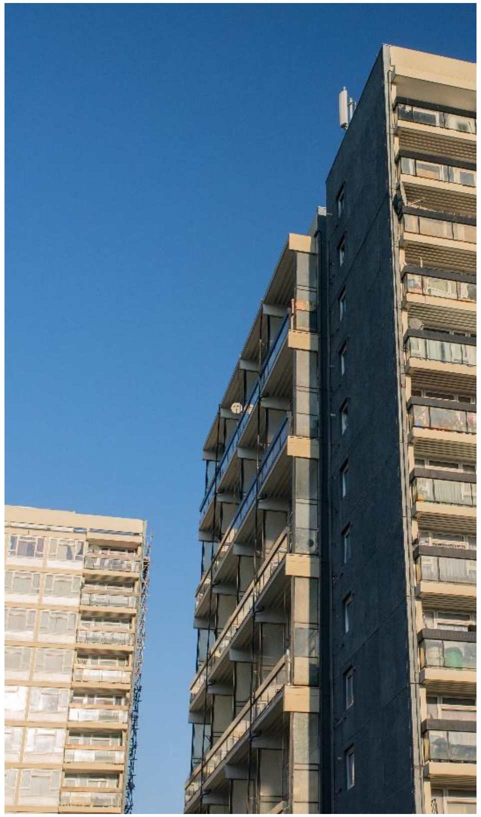
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Authority'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 Authority will no longer be provided.

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



Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Year of audit	Risk of significant weakness	Procedures undertaken	Findings	Outcome
All years	Financial sustainability was identified as a potential significant weakness due to the Statutory Recommendations raised in November 2021. The weakness identified was the lack of audited financial statements for the years 2018/19 to 2022/23. The causes of the weakness were a lack of capacity in the finance team to produce the required accounts and working papers, ineffective and cumbersome ledger system causing delays in information, a complex and inaccurate accounts production spreadsheet and inadequate cash reconciliation controls.	Review of the Authority's action plan to respond to the statutory recommendations, discussions with key officers and review of supporting evidence to determine if the recommendations had been effectively responded to.	See pages 12 to 14. The Authority has taken actions to respond however until the financial statements provided can be fully audited the effectiveness of the response cannot be concluded upon.	See pages 12 to 14. Of the 4 recommendations 1 has been addressed, 2 remain open pending completion of the financial statements audit and 1 has been partially addressed. As such the existing statutory recommendation remains open and we are considering re-issuing an updated recommendation.
2021/22	Financial governance was identified as a potential significant weakness due to the lack of timely response observed in relation to the Statutory Recommendations raised in November 2021	Review of the Authority's action plan and monitoring arrangements to respond to the statutory recommendations and enquiries with key officers to understand the underlying causes of any delays.	Progress has been monitored by Members with sufficient frequency as they are updated at each meeting. However, an insufficiently detailed action plan, and challenges in identifying the required support, has hindered the Authority's ability to respond in a timely manner to the recommendations.	Key Recommendation 1

Appendix C – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No – No new Statutory Recommendations made. However existing Statutory Recommendations remain relevant pending completion of the audit of the prior years financial statements which will provide evidence of the efficiency of the response.	11 to 14
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Authority. We have defined these recommendations as 'key recommendations'.	Yes	15 to 16
Improvement	These recommendations, if implemented should improve the arrangements in place at the Authority, but are not a result of identifying significant weaknesses in the Authority's arrangements.	Yes	See relevant sections: Financial Sustainability and Financial Governance – pages 28 to 31 Governance – pages 39 to 42 3E's – pages 52 to 58