

AUDIT AND STANDARDS COMMITTEE

Thursday, 14th December, 2023
6.30 pm





AUDIT AND STANDARDS COMMITTEE

ROOMS 2 & 3, TOWN HALL

Thursday, 14th December, 2023 at 6.30
pm

Members are reminded that if they have detailed questions on individual reports, they are advised to contact the report authors in advance of the meeting.

Members of the public may ask a question, make a statement, or present a petition relating to any agenda item or any matter falling within the remit of the committee.

Notice in writing of the subject matter must be given to the Head of Legal & Democracy by 5.00pm on the day before the meeting. Forms can be obtained for this purpose from the reception desk at Burnley Town Hall or the Contact Centre, Parker Lane, Burnley. Forms are also available on the Council's website <https://bit.ly/2BWX7d2>

AGENDA

1) *Apologies*

To receive any apologies for absence.

2) *Minutes*

To approve as a correct record the minutes of the previous meeting.

5 - 8

3) *Additional Items of Business*

To determine whether there are any additional items of business which, by reason of special circumstances, the Chair decides should be considered as a matter of urgency.

4) *Declarations of Interest*

To receive any declarations of interest from Members relating to any item on the agenda, in accordance with the provisions of the Code of Conduct.

5) *Exclusion of the Public*

To determine during which items, if any, the public are to be excluded from the meeting.

6) *Public Question Time*

To consider questions, statements or petitions from Members of the Public.

PUBLIC ITEMS

- 7) Annual Accounts 2022/23** 9 - 186
To receive and approve the audited Statement of Accounts for 2022/23.
- 8) Auditor's Annual Report on Burnley Borough Council 2022/23** 187 - 220
To receive the Auditor's Annual Report 2022/23.
- 9) Arrangements for 2023/24 Annual Governance Statement** 221 - 234
To inform the Audit and Standards Committee of the arrangements to provide assurance for an Annual Governance Statement for the financial year 2023/24.
- 10) Internal Audit Progress Report Q2** 235 - 242
To inform members of the work undertaken by Internal Audit for the period 1st July to 30th September 2023.
- 11) Strategic Risk Register** 243 - 280
To update members on the Strategic Risk Register.
- 12) Fraud Risk Assessment 23/24** 281 - 290
To inform Members of the current fraud trends that affects the public sector.
- 13) External Review Report** 291 - 302
To inform members of the progress on the External Review of Internal Audit action plan.
- 14) Work Programme** 303 - 304
To consider the Work Programme for the current year.

PRIVATE ITEMS

MEMBERSHIP OF COMMITTEE

Councillors

Councillor Margaret Brindle (Chair)
Councillor Asif Raja (Vice-Chair)
Councillor Gail Barton
Councillor Scott Cunliffe
Councillor Karen Ingham

Councillor Lubna Khan
Councillor Gordon Lishman
Councillor Mike Steel
Councillor Andy Wight

Co-opted Members

Councillor Kathryn Haworth, Habergham Eaves Parish Council
Vacancy, Parish Council representative
David Swift, Independent Member
Stuart Arnfield, independent Member

External Auditor

Helen Stevenson, Grant Thornton-External Auditor
Georgia Jones, Grant Thornton-External Auditors

Published: Wednesday, 6 December 2023



AUDIT AND STANDARDS COMMITTEE

BURNLEY TOWN HALL

Thursday, 28th September, 2023 at 6.30 pm

PRESENT

MEMBERS

Councillor Margaret Brindle, In the Chair.

Councillors A Raja (Vice-Chair), G Barton, A Wight and S Cunliffe

OFFICERS

Howard Hamilton-Smith	–	Director of Resources
Amy Johnson	–	Finance Manager
Ian Evenett	–	Internal Audit Manager
Suzanne Rawson	–	Auditor
Craig Finn	–	Principal Accountant
CJ Walmsley	–	Democracy Officer

CO-OPTED MEMBERS

David Swift
Stuart Arnfield

EXTERNAL AUDITORS

Helen Stevenson – Grant Thornton-External Auditor

New Members of the Committee were welcomed by the Chair, and thanks given to retiring Members.

17. Apologies

Apologies for absence were received from Councillor G Lishman, Councillor Steel, Parish Councillor K Haworth and Georgia Jones.

18. Minutes

RESOLVED – That the minutes of the last meeting held on 27th July 2023 be approved as a correct record and signed by the Chair.

19. Additional Items of Business

There were no additional items of business to be considered.

20. Declarations of Interest

There were no declarations of interest on any items of the agenda.

21. Exclusion of the Public

There were no items of business where members of the public needed to be excluded from the meeting.

22. Public Question Time

No questions, statements or petitions had been received from members of the public.

23. Annual Accounts 22/23

The Council's audited Statement of Accounts for 2022/23 were submitted to the Committee for formal approval and signature by the Chair. The Committee was also asked to approve the Letter of Representation from the Director of Resources to Grant Thornton with signature from the Chair; and approve the signed 2022/23 Annual Governance Statement.

The audit findings were submitted and the headlines highlighted. It was pointed out the appendices referenced needed to be updated.

Financial Statements were outlined in terms of significant risks; key judgements and estimates; information technology; and other communication requirement.

It was clarified that in terms of income from heritage assets, this was separate from the accounts, but they do generate an income stream. The Director of Resources was to confirm figures with Members.

The Committee was advised that once everything was approved the Audited Statement of Accounts, Audit Findings Report and Annual Governance Statement would be published on the website and Members would be notified.

As a newly appointed Member to the Committee, Councillor Cunliffe raised concerns over lack of training and time to give due consideration to the annual accounts. Councillor Cunliffe therefore abstained from voting due to this reason.

RESOLVED –

- (1) That the Statement of Accounts for 2022/23 be approved and signed by the Chair and that delegated authority be given to the Director of Resources and Committee Chair for any non-material changes to the audited Statement of Accounts following the conclusion of the outstanding audit matters;
- (2) That the Letter of Representation be approved and signed;
- (3) That the audit findings be noted; and

(4) That the Annual Governance Statement signed at September 2023 be approved.

24. Internal Audit Charter and QAIP

A report was submitted that presented Members with the revised Internal Audit Charter and Quality Assurance and Improvement Programme (QAIP).

It was queried that in terms of benchmarking, did Internal Audit go further into understanding how counterparts in other authorities are operating. It was clarified that periodic benchmarking took place internally, but the external Peer Review that took place last year gave opportunity for insight into other authorities, including accessing all documentation from other local authorities to identify best practice and tailor to the Council's requirements.

This was a fresh charter, as a result of the external review and an error in the charter was pointed out, insofar as it made reference to Governance Committee, rather than Audit and Standards Committee. Any future changes would come back before the Committee. There had previously been different versions of the charter and strategies.

RESOLVED – That the Internal Audit Charter and QAIP be approved.

25. CIPFA Audit Committee Guidance

A report was submitted that updated the Committee on the implementation of the Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committee Guidance Documents. Highlights included changes to the Terms of Reference of the Committee; Member Training; and Self-Assessment of Good Practice.

Members were encouraged to complete the forms attached at Appendix 1 and 2 of the report and return to the Internal Audit Manager or the Democracy Office. However, a concern was raised with regards the Knowledge and Understanding Questionnaire for Member Training. It was felt that the form was not neurodiverse friendly and needed more context. Furthermore, the scale on the form didn't specify what was weak and what was strong. It was therefore requested that the form be revised.

Concerns were also raised regarding newly elected Councillors serving on the Committee, given its complexity and level of understanding required. It was felt that experienced Members were an important element of the Committee and emphasis was placed on the importance of training. It was suggested that training should be offered to all Members of the Council, to help inform future Committee membership. The Internal Audit Manager agreed to look into incorporating this into the Corporate Member Training and Development Programme. Members were also advised that an Audit Committee handbook was in the process of being developed which would include a range of potential training materials. The Member Induction Pack was also raised as an area for revision to include more information on the audit element of the Audit and Standards Committee.

RESOLVED - (1) That the report and guidance be noted;
(2) That the form at Appendix 1 be revised to give more clarity and context;

- (3) That once revised and re-circulated, Members complete and return to the Internal Audit Manager; and
- (4) The roll out of training to wider Council Members be explored.

26. External Review Report

A report was submitted that informed Members of the progress on the External Review of Internal Audit Action Plan.

Clarification was provided on the Audit Manual being updated to ensure that the policies and procedures reflect the Public Sector Internal Audit Standards (PSIAS) requirements. This was reviewed annually, and the next review, which would be before the end of the current financial year, would show the latest position.

It was suggested that the actions in the plan have a target and completion date to further assist monitoring.

RESOLVED –
(1) That the report be noted; and
(2) That target and completion dates be included in the action plan.

27. Internal Audit Progress Report 23/24 Q1

A report was submitted that informed Members of the work undertaken by Internal Audit for the period 1st April to 30th June 2023. There had been three Audit Reports produced and details were appended to the report.

It was clarified that there was no decision making by the Committee in relation to Burnley Leisure and Culture.

Heather Bullock, the newly appointed Procurement and Information Officer, was introduced to the Committee, as she would be presenting reports at future meetings.

It was highlighted that due to the re-structuring of the service, completion of the plan was expected, however the Committee would be kept up to date on progress.

RESOLVED – That the report be noted.

28. Work Programme

Members were asked to note that change of date to the scheduled meetings. The meeting due to take place on 15th February 2024 had now been brought forward to 14th December 2023.

RESOLVED –
(1) That the work programme for 23/24 be noted; and
(2) That the meeting scheduled to take place on 15th February 2024, which had been brought forward to the 14th December 2023, be noted.

Annual Accounts 2022/23

REPORT TO AUDIT AND STANDARDS COMMITTEE



DATE	14 December 2023
PORTFOLIO	Resources & Performance Management
REPORT AUTHOR	Amy Johnson
TEL NO	01282 425011
EMAIL	ajohnson@burnley.gov.uk

PURPOSE

1. To present the Council's audited Statement of Accounts for 2022/23, to obtain the formal approval of the Committee to the audited accounts, and to ask that they be signed by the chair of the Committee.
2. To ask the Audit and Standards Committee to approve the Letter of Representation from the Director of Resources to Grant Thornton (the external auditors) and to ask that it be signed by the chair of the Committee.
3. To inform the Audit and Standards Committee of the audit findings.
4. To ask the Audit and Standards Committee to approve the signed 2022/23 Annual Governance Statement.

RECOMMENDATION

5. Members are asked to:
 - a) Approve and sign the Statement of Accounts
 - b) Approve and sign the Letter of Representation
 - c) Note the audit findings
 - d) Approve the Annual Governance Statement signed as at December 2023.

REASONS FOR RECOMMENDATION

6. The deadline for publication of the draft Statement of Accounts was 31 May 2023 with the audited Statement of Accounts to be published by 30 September 2023. The draft Statement of Accounts was published in accordance with the required deadline.

Members will recall that the draft Statement of Accounts were approved by this Committee at their meeting 28th September 2023 subject to any material amendments identified during the completion of the outstanding areas of testing that had yet to be completed by Grant Thornton. Two material amendments have since been made to the draft 2022/23 Statement of Accounts which Committee are asked to approve.

SUMMARY OF KEY POINTS

7. The 2022/23 Statement of Accounts have been produced under the Code of Practice on Local Authority Accounting in the UK to 2022/23 standards.
8. The deadline for publication of the draft Statement of Accounts was 31 May and the audited Statement of Accounts 30 September.
9. The Council was able to comply with its statutory duty to publish an unaudited Statement of Accounts by the 31 May 2023.
10. Members will recall that the following audit matters were still outstanding at their meeting 28th September 2023:
 - Finalisation of queries in relation to some areas of sample testing
 - Completion of work on the pension figures
 - Testing of the housing benefit subsidy system
 - Completion of final quality checking procedures

The above audit matters have now been concluded with the exception of completion of work on the pension figures as Grant Thornton are still waiting on the letter of assurance from the Pension Fund auditor. This area of testing cannot be concluded until this letter has been received.

The draft Statement of Accounts was approved at the September 2023 meeting, subject to any material amendments identified following the conclusion of the above outstanding areas of testing.

11. Two material amendments have been made to the draft 2022/23 Statement of Accounts since approval in September 2023:
 - Removal of the Pension Surplus following clarification of the IFRIC14 assessment which now applies to all authorities following the triennial valuation.
 - Adjustments between current assets and liabilities on the Balance Sheet. The adjustments net to £0 and do not change the nets assets of the authority.

I am pleased to report that the Councils auditors are satisfied that the accounts present a true and fair view of the Councils financial position and have issued an unqualified opinion on the statements. The audited Statement of Accounts is attached for information and final approval as Appendix 1.

12. There have been five recommendations for the Council, which are detailed below along with our proposed actions to mitigate the recommendation:
 - We recommend the Council engage a further valuation for those Heritage assets not covered by the 2023 programme.

Management Response: Due to capacity issues with our external valuer, Bonhams, a full valuation of the Councils heritage assets was not completed for

the 2022/23 financial year. Instead, a partial revaluation of the major exhibits was carried out with a valuation date of 31 March 2023. The Council's external valuer is currently in the process of undertaking a desktop valuation of those assets not covered by the 2023 programme. This will conclude the valuation of the Council's heritage assets.

The Council was unable to perform a desk top exercise to value those assets not valued as a 31 March 2023 due to a lack of local indicators that could be used to provide a reliable estimate of the asset value.

- We recommend the Council carries out a regular check on the UEL's of its assets to ensure these are in line with the depreciation policy for each category of asset.

Management Response: The Council has reviewed and updated the Depreciation Policy to reflect the UEL of assets. The updated policy is included within the audited 2022/23 Statement of Accounts.

An annual review of the UEL of assets will be undertaken to ensure that they are in line with the Council's Depreciation Policy.

- We repeat our recommendation from 2021/22 that management complete their own detailed assessment to confirm the value of assets not covered within the revaluation programme are fairly stated.

Management Response: The Council values its investment and surplus properties on an annual basis. For the remainder of its land and buildings it has a 5-year rolling programme of asset valuation. This complies with CiPFA's Code of Practice. Where assets are included within the 5-year rolling programme, the Council's valuer undertakes a desktop exercise to review every asset that is not included within that year's valuation. If any issues are found, then the valuer undertakes a full valuation of that asset. Similarly, if any issues are identified in assets that have been valued that year, other assets in that class of assets will be valued. The Council's valuer will investigate the benefit of and consider the use of indices as part of the desktop exercise in future years.

- We recommend that management carry out an annual impairment review of the assets categorised under AuC category in line with the CIPFA code of guidance to ensure that values are not materially different from the actual as at year end.

Assets under construction are measured at historical cost in accordance with the 2022/23 CIPFA Code of Practice and the 2022/23 CIPFA Guidance Notes. Invoices for the Pioneer Place scheme are paid in accordance with the valuation reports issued by the Mace Group as cost consultants. Once assets become operational a full valuation takes place which would include an impairment review, in accordance with the Code.

- We recommend to limit the system admin rights to only specific individuals as to mitigate the risk of management override of controls and ultimately any material misstatement in future.

The Council already complies with this recommendation and has two specific individuals with system admin rights. For business continuity purposes there are

two staff members with system administration rights to the system – the Business Development Officer and the Finance Manager. On a day-to-day basis the Business Development Officer carries out all the system administration duties with the Finance Manager only being expected to carry out these duties in the event of the long-term absence of the Business Development Officer. The Finance Manager carried out no system administration duties in the 2022/23 financial year.

13. The wording of the external auditor's opinion on the Statement of Accounts is contained within the auditor's Audit Findings Report (Appendix 3). Once the opinion and conclusion have been formally disclosed to the Committee they will form part of the published Statement of Accounts on the Council's website. The chair of the Audit and Standards Committee is required to sign the Statement of Accounts prior to the publication.
14. Part of the process of obtaining a favourable opinion from the external auditor is that representations are required to be made by the Chief Financial Officer about a range of issues upon which confidence is placed during the course of the audit. These representations are contained in the Letter of Representation which is attached as Appendix 2. The Director of Resources, as the Council's statutory Chief Finance Officer (Section 151 Officer), will sign this letter at your meeting after discussion with the Audit and Standards Committee. In accordance with external audit requirements the Chair is also asked to sign the letter of representation.
15. The production of an Annual Governance Statement is a statutory requirement of the Council, and is to be produced in accordance with proper practice, using guidance from CiPFA, (Chartered Institute of Public Finance and Accountancy) and SOLACE (Society of Local Authority Chief Executives). The 2022/23 Annual Governance Statement was originally reported to and approved by Committee in July 2023 and again in September 2023. A copy of the AGS is included in Appendix 4 for information. A copy signed as at December 2023 will be circulated to Members at their meeting.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

16. Audited Statement of Accounts as Appendix 1

POLICY IMPLICATIONS

17. None

DETAILS OF CONSULTATION

18. None

BACKGROUND PAPERS

19. None

FURTHER INFORMATION

PLEASE CONTACT:

**Howard Hamilton-Smith – Director of
Resources**

ALSO:

Amy Johnson – Finance Manager

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STATEMENT OF ACCOUNTS 2022/2023



Burnley Town Hall - now that the scaffold has been removed!

Page 15



Contents

1. Narrative Reports and Written Statements

Narrative Report	Page 3
Statement of Responsibilities for the Statement of Accounts	Page 17
Independent Auditor's Report to the Members of Burnley Borough Council	Page 18

2. Core Financial Statements

Comprehensive Income and Expenditure Statement	Page 20
Movement in Reserves Statement	Page 21
Balance Sheet	Page 22
Cash Flow Statement	Page 23

3. Notes to the Accounts

Index of Notes to the Core Financial Statements	Page 25
Notes to the Core Financial Statements	Page 26

4. Supplementary Accounts and Explanatory Notes

Collection Fund Statement	Page 82
Notes to the Collection Fund Statement	Page 83

5. Accounting Policies

Accounting Policies	Page 88
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6. Glossary

Glossary of Terms	Page 103
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1. Narrative Reports & Written Statements

May 2023 - Burnley FC visit the Town Hall as part of the champions celebration to mark their return to the Premier League age 18

NARRATIVE REPORT

This booklet presents the Council's accounts for the year ended 31 March 2023. The accounts conform to the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), which is based on International Financial Reporting Standards (IFRSs).

The layout and purpose of each statement is as follows:-

EXPLANATORY STATEMENTS

- **Narrative Report** - provides an easily understandable guide to the most significant matters reported in the accounts, including a summary of operating activity during the year.
- **Statement of Responsibilities** - explains the responsibilities of the Council and its Chief Financial Officer in relation to the Council's financial affairs and the Statement of Accounts.

CORE STATEMENTS

- **Comprehensive Income and Expenditure Statement** – this shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement. The top half of the statement provides an analysis by service area whilst the bottom half deals with corporate transactions and funding. The Code requires the Council to analyse the cost of service in the same format reported during the year.
- **Movement in Reserves Statement** – this statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves (i.e. those that cannot be applied to fund expenditure or reduce local taxation e.g. pensions reserve). The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.
- **Balance Sheet** - this shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the authority (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories, usable and unusable. Usable reserves are those that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). Unusable reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement of Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- **Cash Flow Statement** – this statement shows the changes in cash and cash equivalents during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by Page 19

of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

NOTES TO THE CORE FINANCIAL STATEMENTS

All the notes to the core statements above are collected in one place. Later in this document there is an explanation of the policies used in the preparation of the figures in these accounts, especially changes made during the year.

OTHER STATEMENTS

The Collection Fund and notes – this statement reflects the Council's statutory obligation to maintain a separate Collection Fund for its transactions as a billing authority in relation to Council Tax and Non-Domestic Rates.

GLOSSARY

At the end of the booklet there is a glossary which explains some of the technical terms used in these accounts.

REVENUE INCOME AND EXPENDITURE

Revenue income and expenditure relates to the day-to-day running of all the services that the Council provides. Before the start of the financial year the Council prepares the annual revenue budget reflecting the estimated net expenditure to be incurred in the year on the provision of services. The budget is then regularly reviewed and revised during the year to incorporate known changes in planned and actual revenue income and expenditure.

REVENUE BUDGET

The revenue budget for 2022/23 was approved by Full Council on 23 February 2022 and amounted to a net figure of £15.321m. This was amended to £15,322m following receipt of the final Local Government settlement. The revenue budget in 2022/23 delivered savings of £0.889m; this is on top of the £16.301m saved in the previous ten years. The approved net budget was approved as follows:

	Net Budget £000s
Economy and Growth	664
Policy and Engagement	460
Management Team	373
Sport and Culture Leisure Client	757
Green Spaces and Amenities	1,174
Streetscene	3,373
Housing and Development Control	522
Strategic Partnership	4,015
Finance and Property	493
Revenues and Benefits Client	(1,299)
Legal and Democratic Services	1,078
People and Development	242
Corporate Items	3,470
NET BUDGET	15,322
Council Tax	(7,480)
Parish Precepts	(169)
Business Rates (Retained Income)	(4,513)
Business Rates S31 Grants	(1,655)
Prior Year Collection (Surplus)/Deficit	1,261
Revenue Support Grant	(1,700)
New Homes Bonus	(576)
Other Government Grants	(490)
	(15,322)

The Council received requests for Council Tax precepts of £0.169m to fund expenditure by Parish and Town Councils. In total this resulted in a Council Tax precept of £7.649m.

COVID-19 & COST OF LIVING

The 2022/23 budget was approved as the impact of the Covid-19 pandemic was beginning to subside and the Cost of Living crisis was beginning to emerge, taking hold during the year with the Consumer Prices Index standing at 10.1% in the 12 months to March 2023. This is above the Bank of England's target of 2%. As a result costs to households increased, especially around food, fuel and energy. In an attempt to slow the increase in the rate of inflation the Bank of England increased the base rate from 0.75% in March 2022 to 4.25% in March 2023 over 8 tranches.

To help support households with these rising costs the Government introduced the following package of support:

- A £150 non-repayable rebate for households in England in council tax bands A to D, known as the Council Tax Rebate
- Discretionary funding for billing authorities to support households who are in need but are not eligible for the Council Tax Rebate, known as the Discretionary Fund.

The Council was awarded £5.807m for the Council Tax Rebate Scheme and £0.263m for the Discretionary Fund.

Individual grant conditions determined the extent to which the Council had discretion in applying the respective funding streams and the period in which funding must be used. Restrictions requiring expenditure to be incurred prior to September 2022 for the Council Tax Rebate scheme and November 2022 for the discretionary fund existed.

The following table includes the grant programmes administered by the Council during the financial year, detailing the value of support provided to householders during 2022/23 and whether the Council was acting as principal (where the Council had discretion over the amount of funding to award or the criteria for who could be awarded funding) or agent (passing money to individuals on behalf of Central Government).

Name of Grant		Principal or Agent	Grant Amount £'000
Council Tax Rebates		Agent	5,807
Discretionary Fund		Principal	263

ECONOMIC CONDITIONS

The current increases in inflation above the Bank of England's target of 2% has had an impact on the 2022/23 financial position due to the 2022/23 pay award being higher than estimated and also increases in contract and utility costs. High levels of inflation is also expected to continue to have an impact on the Council's future budget position, both in respect of increased costs and potential reductions in income as residents of the borough may have less available household spend. Of particular concern to the Council are increases to energy, fuel and external contract costs. An additional £260k was built into the 2022/23 revenue budget to help mitigate the impact of increasing energy costs (in addition £197k was set aside in an earmarked reserve in 2021/22 to help fund any future fluctuations in energy costs). The levels of inflation factored into future year's budgets will also be kept under regular review to ensure that they are reflective of the current economic climate.

REVENUE SURPLUS

In determining the budget for the year there was no planned transfer to or from accumulated general balances but there was a planned contribution of £0.538m from earmarked reserves. There were further planned contributions from earmarked reserves of £3.747m arising from decisions made during the financial year as part of the revenue budget monitoring process. This gave a revised net planned overall contribution from earmarked reserves of £4.285m. The Statement of Accounts shows that there was a revenue break-even position for the year after taking into account an actual net contribution to earmarked reserves of £2.428m.

The table below details where the break-even position is shown in these accounts:

	Net Surplus £000s
Comprehensive Income and Expenditure Statement	
- Surplus on provision of services	(6,249)
Adjustments between accounting basis and funding basis under regulations	
- General Fund balance (Note 7)	3,821
Net contribution from Earmarked Reserves in year (see note below)	2,428
Revenue surplus 2022/23	0

The revenue net contribution to earmarked reserves of £2.428m gives an increase in earmarked reserves for the year to £25.483m as detailed below:

	Under Spending £000s	Earmarked Reserves Utilised £000s	Earmarked Reserves Balance £000s	General Fund Balance £000s
Balances brought forward 1 April 2022			(23,055)	(1,379)
Position as per Budget Monitoring Report – end December 2023				
Earmarked Reserves decrease	0	4,285	4,285	0
Estimated surplus position at year end	0	-9	-9	0
Estimated year end Earmarked Reserves balance			(18,779)	(1,379)
Year-end position				
Change to deficit position at year end	0	(52)	(52)	0
Movement in transfer (to)/from Earmarked Reserves	0	(6,652)	(6,652)	0
	0	(2,428)	(25,483)	(1,379)
Net underspend 2022/23				
Balance carried forward 31 March 2023	0	0	(25,483)	(1,379)
Less: Opening balances	0	0	23,055	1,379
Balance transferred (to) / from Earmarked Reserves			(2,428)	0

Timing differences accounted for the majority of the £0.885m in the Carry Forward Reserve where the schemes went beyond the 31 March 2023. Surplus net income generated at Charter Walk as well as business rates growth and additional grant income set aside in reserves for use in future years has contributed to the fluctuation in estimated use of reserves at December 2022 and the year-end position. These are detailed further in Note 8 to the Core Financial Statements.

The level of the General Fund Balance has remained at the prescribed level of £1.379m under the Council's Medium Term Financial Strategy. The main reasons for the net overall break-even position generated on the revenue account are shown in the table below:

	Major Variances £000s
Underspends / Increased Income	
Reduction in PWLB borrowing costs due to internal borrowing	(260)
Additional temporary investment interest income	(448)
Increased cemetery & crematorium income	(96)
Increased Expenditure / Reduced Income	
Pay Award higher than estimated	532
Increased utility costs	129
Other minor net overspends/(underspends) under £20k	82
Transfer to Reserve	
Transfer to Revenue Support Reserve	61
Total Break-Even	0

CAPITAL EXPENDITURE

Capital expenditure relates to the cost of the provision of, or enhancement of, assets or other expenditure where the benefits last beyond the financial year in question. The precise definition of capital expenditure is set out in the Capital Finance Regulations. Capital and revenue transactions must be accounted for separately.

In 2022/23 the Council spent £21.8m on capital projects compared with a revised capital budget of £20.2m. The increase related to capital spend for major projects being brought forward from the approved 2023/24 capital programme. During the year £9.3m was invested on Pioneer Place, £5.7m on the Levelling Up, £0.6m on Towneley Hall Improvement Works, £1.7m on the Empty Homes Programme and £2.0m on housing renovations for disabled facilities (Better Care Grants).

For 2023/24 the Council will invest £1.3m on the Empty Homes Programme, £17.3 on the Levelling Up Fund, £9.7m on Pioneer Place, and around £2.0m on Better Care grants. This will complement all four themes of our strategic objectives; people, places, prosperity and performance.

The differences on the various areas of the capital budget are summarised in the following table. The additional spend compared to that allowed for in the budget for the services shown was largely due to schemes progressing more quickly than anticipated together with the need to pre-order some materials, with works planned for 2023/24 being carried out in 2022/23.

	Approved Budget 2022/23 £M	Actual 2022/23 £M	Variance £M
Capital Expenditure			
Regeneration and Planning Policy			
Pioneer Place	8.7	9.3	0.6
Lower St James Street Historic Action Zone	0.4	0.6	0.2
Levelling Up Fund	3.5	5.7	2.2
Padiham Townscape Heritage Scheme	0.6	0.1	(0.5)
Burnley-Pendle Growth Programme	0.3	0.0	(0.3)
Other	0.4	0.0	(0.4)
Housing			
Disabled Facilities Renovations	2.0	2.0	0.0
Empty Homes Programme	1.2	1.7	0.5
Other	0.3	0.4	0.1
Streetscene			
Electric Vehicle Rapiil Charge Points	0.2	0.2	0.0
Other	0.1	0.0	(0.1)
Facilities Management			
Building Infrastructure Works	1.1	0.7	(0.4)
Green Spaces and Amenities			
Play Area Improvement Programme	0.2	0.2	0.0
Vehicle and Machinery Replacement	0.2	0.2	0.0
Towneley Hall Works	0.7	0.6	(0.1)
Other	0.2	0.0	(0.2)
Leisure Client			
Leisure Centre Improvements	0.1	0.1	0.0
Total Capital Expenditure	20.2	21.8	1.6

BORROWING

The total amount outstanding as at 31 March 2023 on long-term loans borrowed from the Public Works Loan Board (PWLb) to finance capital expenditure was £59.5m. In addition, there was at this date £0.013m of short-term borrowing. The sources of borrowing totalling £59.5m are identified in Note 12e, and an analysis of the periods to repayment shown in note 30e to the core financial statements. This borrowing should be seen in the context of the total value of the Council's long-term assets which is shown in the balance sheet at £139.2m. The Prudential Code for Capital Finance in Local Authorities regulates local authority borrowing and gives freedom to councils to borrow as long as the revenue costs are capable of being met in the opinion of the Chief Financial Officer and are in keeping with prudential indicators and guidelines.

PENSIONS COSTS

The requirements of international accounting regulations (IAS19) in relation to post-employment benefits, i.e. pensions, have been fully incorporated into the Comprehensive Income and Expenditure Statement with actuarial gains and losses being recognised in Other Comprehensive Income and Expenditure, as Note 28 explains in detail.

A pensions reserve and a pensions liability are incorporated within the Council’s accounts reflecting the amount by which the Burnley element of the Lancashire County Council pension fund is over-funded compared with the assessed payment liabilities to pensioners now and in the future.

There are also entries in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement to show the pensions benefits earned in the year. All of these pensions costs entries do not however affect the amount calculated as being due from taxpayers through Council Tax.

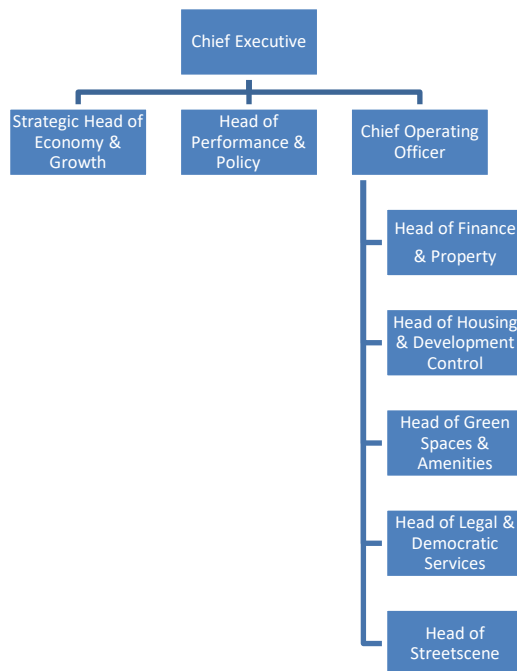
The latest triennial valuation was carried out as at 31/03/22 (to take effect 01/04/23) resulting in the overall pensions deficit changing to a surplus. The overall pensions surplus of the Council as at 31 March 2023 was £17.822m (£43.706m deficit as at 31 March 2022). More information on the assumptions used by the actuaries can be found at Note 28e.

Pension costs and liabilities for employees transferred to our strategic partner are now incurred by Liberata plc. Any liabilities accumulated prior to transfer will remain with the Council.

ORGANISATIONAL OVERVIEW

The organisation structure is headed by the Corporate Management Team which consists of the Chief Executive, Chief Operating Officer, Strategic Head of Economy & Growth and Head of Finance & Property.

The Council’s organisational structure is as follows:



As at 31 March 2023 the Council employed 248 members of staff. The overall establishment consists of 293 posts, of which 45 are vacant at 31 March 2023.

ELECTED MEMBERS

The councils elected members represent 15 wards and make decisions about local services in the borough. There are 45 Councillors, who represented the following parties as at 31 March 2023:

Political Party	Members
Labour Party	19
Liberal Democrat Party	8
Burnley & Padiham Independent Party	4
Green Party	6
Not Specified	2
Conservative Party	6

The Council operates a Cabinet System, with six Executive Members:

- Leader of the Council
- Executive Member for Resources
- Executive Member Community and Environmental Services
- Executive Member for Housing
- Executive Member for Health & Wellbeing
- Executive Member for Economy & Growth

ORGANISATIONAL PERFORMANCE

The Council has made good progress delivering its strategic objectives this year. Two priority areas are improving housing and growing the economy.

Housing

In the last 12 months, the Council has received and dealt with 370 new disrepair complaints from private rented sector tenants. Since December 2022, the enforcement team have served 11 formal improvement notices requiring owners to complete specified repairs within a given timescale as well as 3 emergency remedial action notices, and 2 emergency prohibition orders. Our empty Homes Programme helped bring 84 properties back into use, in excess of the target of 80.

Our Home Improvement Agency (HIA) continues to work in partnership with health colleagues on a range of different grants that improves the resident's quality of life. The HIA have completed 200 Disability Facilities Grant adaptations, 31 Emergency Works Grants, 102 Dementia Grants, and 158 Handyperson jobs. As part of our Cost of Living response, 263 residents have been supported through the Affordable Warmth Fund with energy efficiency measures.

Recognising the team's performance this year, the Private Sector Housing Team have been announced as one of eight finalists for the "Best Council Team Award" by the MJ. The winner will be announced in June 2023.

Economy and growth

The Council's commercial property has delivered strong results. Vision Park remains at 100% occupancy as do the fixed offices at Padiham Town Hall Business Hub.

Work on the Pioneer Place leisure-led regeneration project is nearing completion. The cinema unit is fully constructed, and internal works are well advanced. Progress with signing up tenants is very advanced with Nando's and Café Fortunes Ltd (T/A Starbucks) having already exchanged contracts.

Traders in Charter Walk, (the Council purchased the shopping centre in October 2021) are upbeat having met sales targets despite poor weather and the wider impacts of the Cost of Living crisis. The Management team at Charter Walk continue to implement a range of marketing activities and events in partnership with Burnley BID.

The Business Support Team dealt with a large increase in enquiries for land, property and business support in Q4 (66) with the year end total for enquiries reaching 176, compared with 142 in 22/23. The team also supported 66 businesses with BOOST Lancashire funding, achieving the target of 50.

Other priority transactional services

The Council's service delivery partner, Liberata, continues to achieve fast handling times in benefits administration. Against a target of 9 days, the Q4 result for the average number of days to process new claims and change of circumstances for benefits was 1.8 days. The result in the same quarter of last year was 2.3 days. The latest available data for comparison with other areas is from Q3 22/23 (this measures housing benefit processing only) and shows that Burnley's housing benefit processing time overall was 4 days. This was the fastest in the North West, where the average time taken was 7 days.

The Council requested a remediation plan for customer services at the start of 22/23, as Liberata's customer contact centre has struggled to achieve our caller wait time target. Liberata have reported that across all their contact centre contracts, the total talk time with customers has increased since the pandemic, meaning it is taking longer to answer calls. However, by Q4, 81% of calls were answered within time against the target of 80%, and there has been improvement in three consecutive quarters. In addition, the caller abandonment rate has remained low (2%, against a target of >5% in Q4).

Our Development Control team has improved the time taken to process planning applications throughout 22/23. By the end of Q4:

- Major: 100% processed in time, against a target of 60%
- Minor: 93% processed in time, against a target of 65%.
- Other: 100% processed in time, against a target of 80%.

The latest available data for comparison with other areas is from Q3 22/23 and shows that for all application types the council was amongst the top quartile best performers in the Northwest. The latest available cost comparison for planning and development services is from 21/22. Though it can be difficult to compare like with like, the indication is that the service provides value for money. Burnley's spend per head of population was £48. The mean, from a sample of 11 districts across the region, was £62.

Missed targets in 2022/23

- The end of year average number of sick days per employee was 7.39, so the target of six days was missed. However, 60% of recorded absence was for long-term sickness so the council expects to be back on target in 23/24.
- By the end of Q4, 93% of the council tax due for the year had been collected. The target is 94.50%. NNDR collection was also off target: 96% was collected against a target of 97.50%. However, all Lancashire authorities are reporting a downward trend in collection rates.
- Throughout 22/23 the target for missed bins was not achieved. This reached a peak in Q4: for every 100,000 bins due for collection, 182 bins were missed. The target is 75. There have been higher than expected levels of sickness absence in the quarter and poor weather also added to the disruption in Q4. However, changes to the schedule are expected to support a rapid reduction in the rate of missed bins during Q1 23/24.

STRATEGIC RISKS

The Council operates a risk management process at corporate and operational levels. The aim of this is to monitor and manage risk to attainment of corporate and operational objectives. Action is taken to manage these and a recursive process is undertaken to review the impact and deliberate on what if any further progress needs to be made.

The Council's risk management process has identified several strategic risks to the delivery of services by the Council. Of the Council's three highest risks, one concerns financial stability. Loss of funding from income or Central Government and external cost pressures combine to impact on the Council's finances. To manage this risk we have taken steps to change how services are delivered (such as partnership working) and keep these elements monitored to identify action at an early stage. Service levels are not intended to be lowered despite costing less to deliver. Close monitoring arrangements and client-contractor dialogue is maintained at various levels of the partnership i.e. corporate, operational and specific projects.

The Council's position is dependent on decisions taken in other organisations, such as Central Government or regional partnerships. The risk is that these decisions do not take Burnley into account and adversely impact on the Council's services and ability to deliver. The Council seeks to be involved in partnerships to further encourage educational attainment, economic development and built environment of the borough. Furthermore, the Council engages with Central Government decision makers to raise awareness of the impact of Government policies and where appropriate seek to lobby decisions for the benefit of residents and businesses.

CURRENT ECONOMIC CONDITIONS (PROVIDED BY LINK ASSET SERVICES)

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022/23.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps in 2022. Elevated inflation but extra-ordinarily tight labour markets are a conundrum facing central banks, making it an issue of fine judgment as to how far monetary policy (ie control of Bank Rate and/or quantitative easing measures) needs to tighten.

Q2 of 2022 saw UK GDP deliver growth of +0.1% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Q4 GDP was positive at 0.1% q/q. Most recently, January saw a 0.3% m/m increase in GDP as the number of strikes reduced compared to December. In addition, the resilience in activity at the end of 2022 was, in part, due to a 1.3% q/q rise in real household disposable incomes. A big part of that reflected the £5.7bn payments received by households from the government under the Energy Bills Support Scheme.

Nevertheless, CPI inflation picked up to what should be a peak reading of 11.1% in October, although hopes for significant falls from this level will very much rest on the movements in the gas and electricity markets, as well as the supply-side factors impacting food prices. On balance, most commentators expect the CPI measure of inflation to drop back towards 4% by the end of 2023. As of February 2023, CPI was 10.4%.

The UK unemployment rate fell through 2022 to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact remains, however, that with many economic participants registered as long-term sick, the UK labour force shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food (up 18.3% y/y in February 2023) and energy that have endured since Russia's invasion of Ukraine on 22 February 2022.

In the interim, following a Conservative Party leadership contest, Liz Truss became Prime Minister for a short period that ran through September and October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of the 17th of November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have reversed the increases seen under the previous tenants of No10/11 Downing Street, although they remain elevated in line with developed economies generally.

As noted above, GDP has been tepid throughout 2022/23, although the most recent composite Purchasing Manager Indices for the UK, US, EZ and China have all surprised to the upside, registering survey scores just above 50 (below suggests economies are contracting, and above suggests expansion). Whether that means a shallow recession, or worse, will be avoided is still unclear. Ultimately, the MPC will want to see material evidence of a reduction in inflationary pressures and a loosening in labour markets. Realistically, that is an unlikely outcome without unemployment rising and wage settlements falling from their current levels. At present, the bigger rise in employment kept the ILO unemployment rate unchanged at 3.7% in January. Also, while the number of job vacancies fell for the ninth consecutive month in February, they remained around 40% above pre-pandemic levels.

Link's economic analysts, Capital Economics, expect real GDP to contract by around 0.2% q/q in Q1 2023/24 and forecast a recession this year involving a 1.0% peak-to-trough fall in real GDP. 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 4.5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

As for equity markets, the FTSE 100 started 2023 strongly, rising to a record high of 8,014 on 20th February, as resilient data and falling inflation boosted earnings. But global equities fell sharply after concerns over the health of the global banking system emerged early in March.

Investment returns picked up throughout the course of 2022/23 as central banks, including the Bank of England, realised that inflationary pressures were not transitory, and that tighter monetary policy was called for.

Bank Rate in April 2022 was 0.75%, then moved up in stepped increases of either 0.25% or 0.5%, reaching 4.25% by the end of the financial year, with the potential for a further one or two increases in 2023/24.

The sea-change in investment rates meant local authorities were faced with the challenge of pro-active investment of surplus cash for the first time in over a decade, and this emphasised the need for a detailed working knowledge of cashflow projections so that the appropriate balance between maintaining cash for liquidity purposes, and “laddering” deposits on a rolling basis to lock in the increase in investment rates as duration was extended, became an on-going feature of the investment landscape.

With bond markets selling off, equity valuations struggling to make progress and, latterly, property funds enduring a wretched Q4 2022, the more traditional investment options, such as specified investments (simple to understand, and less than a year in duration) became more actively used.

Meantime, through the autumn, and then in March 2023, the Bank of England maintained various monetary policy easing measures as required to ensure specific markets, the banking system and the economy had appropriate levels of liquidity at times of stress.

The Council's Medium Term Financial Strategy 2024/28 takes all known factors which affect the finances of the Council, including those set out above, into account but there are also significant uncertainties, not least of which are the Cost of Living crisis, the ongoing impact of the UK leaving the European Union and the forthcoming Local Government Funding Reform and Spending Review which will affect funding available to the sector. The strategy highlights a continuation of financial pressures with the Council having to find further significant savings for the foreseeable future. Savings will be delivered through strategic prioritisation to protect key services, service transformation, continuous improvement and an increasingly commercial approach.

Against this background the Council has approved a balanced budget for 2023/24 and is pro-actively considering measures to address forecast budget gaps in future years.

Despite these considerable financial challenges, the Council continues to take forward initiatives designed to revitalise the local economy and promote growth and prosperity. Complementing a range of high-profile regeneration initiatives in recent years, the Council is nearing completion of the work on the development of a leisure and retail scheme in the town centre on the former Pioneer site in Curzon Street, which will include a cinema, restaurants, a public plaza and car park. Work has also commenced on the Levelling Up Fund which consists of 3 regeneration schemes: Turf Public Realm Transformation, Burnley Campus Expansion and Railway Station Accessibility Improvements. The three schemes total £19.9m and will span the 2021/22 – 2024/25 financial years.

A key focus for the authority is to grow the local economy and attract investment into the borough. The creation of 'Vision Park' incorporating modern units for hi-tech digital and manufacturing businesses provides an opportunity to bring high quality jobs into Burnley. The Council works closely with private sector partners, including local businesses through the Burnley Bondholders Scheme, to promote growth and create jobs in the borough in a challenging economic climate.

The Council is also working with key strategic partners, including the University of Central Lancashire (UCLan) and East Lancashire NHS trusts, to support expansion plans and facilitate their ambitions for Burnley to be a 'University Town'. A project to deliver student accommodation of 136 en suite rooms

within 29 flats units was completed in August 2020. The previously mentioned Burnley Campus Expansion scheme as part of the Levelling Up Fund will further support these ambitions.

ACCOUNTING POLICIES

The accounting policies adopted by the Council are explained later in the Statement of Accounts and follow the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23. There has been no major impact to finances as a result of any change to accounting policy.

FURTHER INFORMATION

Further information about the Statement of Accounts is available from the Head of Finance and Property, Town Hall, Manchester Road, Burnley, BB11 9SA. In addition, members of the public have the statutory right to inspect the Statement of Accounts and supporting documents at certain times prior to the audit being completed. For 2022/23 this right is to be exercised for 30 working days beginning 1 June 2023. Residents of the Borough who are Council Tax payers may register any objection to the accounts in writing to the External Auditor. The Council also presents a number of other key documents throughout the year which would complement the Statement of Accounts. Some of these are listed below:

Key documents (All of the documents listed below can be accessed searching www.burnley.gov.uk)

Medium Term Financial Strategy (MTFS) and Strategic Risk Register	Considers the medium term financial outlook, highlighting uncertainties, and underlying risk and makes recommendations to mitigate any risks.
Capital Budget (establishing and monitoring)	Sets out the capital budget for the new year and monitoring reports review the progress on the current year budget.
Revenue Budget (establishing and monitoring)	Sets out the revenue budget for the new year and monitoring reports review the progress on the current year budget.
Annual Governance Statement	Statutory document produced annually after reviewing governance and internal control aspects of the Council.
Code of Corporate Governance	Explains how the Council will carry out its functions in a way that demonstrates accountability, effectiveness, integrity and inclusivity.
Strategic Plan	Describes the Council's priorities and vision for the future.

EXTERNAL AUDIT

Grant Thornton have been appointed with the responsibility for the external audit of the Council's accounts. The Auditor's Report & Opinion is contained within the Statement of Accounts. The name and address of the Council's External Auditor is:

Georgia S Jones
Director, Audit
Grant Thornton UK LLP
 Royal Liver Building
 Liverpool
 L3 1PS

STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs – the statutory Chief Financial Officer. In this Authority that officer is the Head of Finance and Property.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

THE CHIEF FINANCIAL OFFICER'S RESPONSIBILITIES

As Chief Financial Officer, I am responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code").

In preparing this Statement of Accounts I have:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;

I have also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATE OF CHIEF FINANCIAL OFFICER

I certify that the Statement of Accounts presents a true and fair view of the financial position of Burnley Borough Council at 31 March 2023 and its income and expenditure for the year then ended, including any known post balance sheet events at 31 May 2023.

Howard Hamilton-Smith

Head of Finance and Property
Chief Financial Officer (Section 151 Officer)

14 December 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BURNLEY BOROUGH COUNCIL

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2. Core Financial Statements



Core Financial Statements

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Note	31 March 2022			31 March 2023		
		Gross Expend £000s	Income £000s	Net Expend £000s	Gross Expend £000s	Income £000s	Net Expend £000s
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT							
Continuing Services							
Economy and Growth		5,355	(4,850)	505	6,823	(5,917)	906
Policy and Engagement		1,953	(1,467)	486	3,034	(3,105)	(71)
Management Team		382	-	382	414	-	414
Sport and Culture Leisure Client		1,782	(193)	1,589	2,160	(266)	1,894
Green Spaces and Amenities		4,208	(2,382)	1,826	4,844	(2,592)	2,252
Street Scene		6,618	(2,313)	4,305	5,848	(2,253)	3,595
Housing and Development Control		4,657	(1,912)	2,745	6,063	(2,055)	4,008
Strategic Partnership		4,563	(625)	3,938	4,979	(770)	4,209
Finance and Property		5,219	(521)	4,698	6,576	(2,687)	3,889
Revenues and Benefits		23,229	(24,170)	(941)	22,487	(24,093)	(1,606)
Legal and Democratic Services		1,505	(623)	882	1,632	(523)	1,109
People and Development		207	-	207	218	-	218
Central Budgets		4,424	(2,979)	1,445	1,112	(327)	785
Corporate Items		-	-	-	-	-	-
Cost of Services		64,102	(42,035)	22,067	66,190	(44,588)	21,602
Other Operating Expenditure & Income							
Parish Council Precepts		168	-	168	169	-	169
Pension Fund Administration Costs		38	-	38	42	-	42
(Gains)/Losses on the Disposal of Non-Current Assets		-	(730)	(730)	-	(33)	(33)
Other Income		-	-	-	-	-	-
		206	(730)	(524)	211	(33)	178
Financing and Investment Income & Expenditure							
Net Interest on the Net Defined Benefit Liability		1,266	-	1,266	1,194	-	1,194
Interest Payable and Similar Charges		1,281	-	1,281	1,528	-	1,528
Interest Receivable and Similar Income		-	(213)	(213)	-	(667)	(667)
Impairment Losses		7	-	7	-	-	-
Other Investment Income and Expenses	12	-	(381)	(381)	344	(69)	275
Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value	11	739	(2,926)	(2,187)	33	(1,953)	(1,920)
		3,293	(3,520)	(227)	3,099	(2,689)	410
Taxation and Non-Specific Grants							
Council Tax Income		-	(7,388)	(7,388)	-	(7,602)	(7,602)
Non-Domestic Rates Income and Expenditure		-	(7,835)	(7,835)	-	(7,588)	(7,588)
Non-Ringfenced Government Grants	24	-	(3,656)	(3,656)	-	(3,073)	(3,073)
Capital Grants and Contributions	24	-	(6,013)	(6,013)	-	(10,176)	(10,176)
		-	(24,892)	(24,892)	-	(28,439)	(28,439)
(Surplus) / Deficit on Provision of Services		67,601	(71,177)	(3,577)	69,500	(75,749)	(6,249)
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	9			(330)			(1,639)
(Surplus) or Deficit on Revaluation of Heritage Assets	10			-			(1,997)
Remeasurement of the Net Defined Benefit Liability / (Asset)	28			(19,433)			(45,623)
Other Comprehensive (Income) / Expenditure				(19,763)			(49,259)
Total Comprehensive (Income) / Expenditure				(23,340)			(55,508)

MOVEMENT IN RESERVES STATEMENT

	Revenue Reserves			Capital Reserves			Revaluation Reserve £000s	Capital Adjustment Account £000s	Deferred Capital Receipts £000s	Pooled Investment Funds Adjustment Account £000s	Pensions Reserve £000s	Collection Fund Adjustment Account £000s	Accumulated Absences Account £000s	Total Unusable Reserves £000s	Total Authority Reserves £000s
	General Fund £000s	Earmarked Reserves £000s	Total General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s									
MOVEMENT IN RESERVES STATEMENT															
Balance at 31 March 2021	1,379	21,706	23,085	1,904	4,443	29,432	53,486	7,758	-	(77)	(61,204)	(5,723)	(166)	(5,924)	23,508
Movement in Reserves during 2021/22															
Total Comprehensive Income & Expenditure	3,576	-	3,576	-	-	3,576	330	-	-	-	19,433	-	-	19,763	(3,084)
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 7)	(2,229)	-	(2,229)	1,052	752	(425)	-	(1,666)	-	313	(1,935)	3,690	23	425	0
Net Increase/(Decrease) before Transfers to Reserves	1,349	-	1,349	1,052	752	3,151	330	(1,666)	-	313	17,498	3,690	23	20,188	23,339
Transfers to/from Reserves	(1,349)	1,349	-	-	-	-	(740)	740	-	-	-	-	-	-	-
Increase/(Decrease) in Year	0	1,349	1,349	1,052	752	3,151	(410)	(926)	-	313	17,498	3,690	23	20,188	23,339
Balance at 31 March 2022	1,379	23,055	24,434	2,956	5,195	32,585	53,076	6,831	-	236	(43,706)	(2,033)	(142)	14,262	46,847
Movement in Reserves during 2022/23															
Total Comprehensive Income & Expenditure	6,249	-	6,249	-	-	6,249	3,636	-	-	-	45,623	-	-	49,259	55,508
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 7)	(3,821)	-	(3,821)	741	474	(2,606)	-	4,360	-	(344)	(1,917)	520	(13)	2,606	-
Net Increase/(Decrease) before Transfers to Reserves	2,428	-	2,428	741	474	3,643	3,636	4,360	-	(344)	43,706	520	(13)	51,865	55,508
Transfers to/from Reserves	(2,428)	2,428	-	-	-	-	(1,800)	1,800	-	-	-	-	-	-	-
Increase/(Decrease) in Year	-	2,428	2,428	741	474	3,643	1,836	6,160	-	(344)	43,706	520	(13)	51,865	55,508
Balance at 31 March 2023	1,379	25,483	26,862	3,697	5,669	36,228	54,912	12,991	-	(108)	-	(1,513)	(155)	66,127	102,355

BALANCE SHEET

	Note	31st March 2021/2022 £000s	31st March 2022/2023 £000s
BALANCE SHEET			
Property, Plant & Equipment	9	81,911	91,083
Heritage Assets	10	32,751	34,748
Investment Properties	11	8,674	8,713
Intangible Assets		-	-
Long-Term Investments	12a	4,125	3,684
Long-Term Debtors	12a	1,015	1,006
Long-term Assets		128,476	139,234
Short-Term Investments & Deposits	12a	16,000	-
Inventories		27	24
Short-Term Debtors	13	12,617	13,956
Cash & Cash Equivalents	14	21,477	16,671
Current Assets		50,121	30,651
Short-Term Borrowing	12a	(1,636)	(3,420)
Short-Term Creditors	15	(24,608)	(5,901)
Current Provisions	16	(719)	(83)
Grants Receipts in Advance - Revenue	24b	(846)	(244)
Current Liabilities		(27,809)	(9,648)
Long-Term Borrowing	12a	(59,510)	(56,103)
Long-Term Provisions	16	(361)	(318)
Net Pensions Liability	28c	(43,706)	-
Other Long-Term Liabilities		(351)	(562)
Grants Receipts in Advance - Capital	24c	(13)	(900)
Long-term Liabilities		(103,941)	(57,883)
Net Assets		46,847	102,355
Represented by:			
Usable Reserves			
General Fund		(1,379)	(1,379)
Earmarked Reserves	8	(23,055)	(25,483)
Capital Receipts Reserve	7	(2,956)	(3,697)
Capital Grants Unapplied	7	(5,195)	(5,669)
		(32,585)	(36,228)
Unusable Reserves	18		
Revaluation Reserve	18a	(53,076)	(54,912)
Capital Adjustment Account	18b	(6,831)	(12,991)
Pooled Investment Funds Adjustment Account	18d	(236)	108
Pension Reserve	18c	43,706	-
Collection Fund Adjustment Account	18e	2,033	1,513
Accumulated Absences Account	18f	142	155
		(14,262)	(66,127)
Total Reserves		(46,847)	(102,355)

CASH FLOW STATEMENT

CASH FLOW STATEMENT	Note	2021/22 £000s	2022/23 £000s
Net (Surplus) / Deficit on the Provision of Services		(3,576)	(6,249)
Adjustments to Net (Surplus) / Deficit on the Provision of Services for Non-Cash Movements	19a	(17,389)	(3,266)
Adjustments for Items Included in Net (Surplus) / Deficit on the Provision of Services that are Investing or Financing Activities	19a	11,666	16,367
Net Cash Inflows from Operating Activities		(9,299)	6,851
Investing Activities	19b	21,800	(8,731)
Financing Activities	19c	(24,166)	6,686
Net (Increase) or Decrease in Cash and Cash Equivalents		(11,665)	4,806
Cash and Cash Equivalents at the Beginning of the Reporting Period		(9,812)	(21,477)
Cash and Cash Equivalents at the End of the Reporting Period		(21,477)	(16,671)

Towneley Hall - undergoing substantial renovation works,
but still home to plenty of ducks



3. Notes to the Accounts

Notes to Core Financial Statements

NOTE		PAGE
1	Accounting Standards issued, not adopted	26
2	Critical judgments in applying accounting policies	26
3	Events after the reporting period	28
4	Assumptions made about the future and other major sources of estimation uncertainty	29
5	Expenditure and Funding Analysis	31
6	Expenditure and Income Analysed by Nature	35
7	Adjustments between accounting basis and funding basis under Regulation	35
8	Movements in Earmarked Reserves	39
9	Property, Plant & Equipment	42
10	Heritage Assets	45
11	Investment Properties	46
12	Financial Instruments	48
13	Debtors	52
14	Cash and Cash Equivalents	52
15	Short-Term Creditors	53
16	Provisions	53
17	Usable Reserves	55
18	Unusable Reserves	55
19	Cash Flow Statement	59
20	Reconciliation of Liabilities arising from Financing Activities	60
21	Members' Allowances	61
22	Officers' Remuneration	62
23	External Audit Costs	63
24	Grant Income	64
25	Related Parties	65
26	Capital Expenditure and Capital Financing	68
27	Leases	68
28	Defined Benefit Pension Schemes	70
29	Contingent Liabilities	76
30	Nature and Extent of Risks arising from Financial Instruments	76

Note 1 Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted.

Accounting Standards that have been issued but not yet adopted, include:

- IFRS 16 Leases
- Definition of Accounting Estimates (Amendments to IAS 8)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

None of which are likely to have a material effect upon the 2022/23 accounts.

Note 2 Critical judgements in applying accounting policies

The following are significant management judgements in applying the accounting policies of the Council that have the most significant effect on the financial statements. Critical estimation uncertainties are described in Note 4.

COVID-19, THE COST OF LIVING CRISIS AND FUNDING

The Government previously took the unprecedented step of providing Councils with a four year financial settlement, with 2019/20 being the final year of the multi-year settlement. The Spending Round 2019 was announced by the Chancellor on 4 September 2019, as a one-year spending review that only covered 2020/21. The decision at the time was to delay major funding reform until 2021/22, which was further delayed when the Chancellor announced the Spending Review 2020 on 25 November 2020 as a one-year settlement for 2021/22.

The Chancellor announced in the 2022/23 provisional settlement that the settlement for 2022/23 was also for a single year only and would be similar to the 2021/22 settlement. An additional £1.6bn per annum would also be added to Local Government funding for the period 2022/23 to 2024/25. The deferral of the Fair Funding Review and New Homes Bonus reform was also announced. The Business Rates Revaluation took effect from 01st April 2023 based on property values as at 31 March 2021.

The Council was facing financial uncertainty in 2022/23 and future years in the absence of a longer term Spending Review and due to anticipated changes to the Non-Domestic rates funding regime (with a reset of Non-Domestic rates growth and possible changes to retention levels), the implementation of the fair funding review (developing a new formula for the allocation of Central Government resources), the wider economic impact of the UK exit from the European Union, the residual impact of the Covid-19 pandemic and the emerging Cost of Living crisis as well as the general policy direction of Government.

The effect of Covid-19 has had a significant impact on the day to day running of the Council, as the Council responded, and continues to respond to the global pandemic at a local and regional level. This has been compounded by the Cost of Living crisis which took hold during the 2022/23 financial year, particularly around energy, fuel and external contract costs.

The virus and measures taken to address it have undoubtedly impacted upon financial and economic activity and the effects will not be contained in 2019/20, 2020/21, 2021/22 and 2022/23, but will be felt for some considerable time, as the direct impact of additional costs and income losses continue, notwithstanding the indirect impact of changes in customer behaviour and expectations. This is further compounded by the Cost of Living crisis which began to emerge in late 2021 and continued throughout the 2022/23 financial year. The Council faced (and continues to do so) increased costs, in particular around energy, fuel and contract costs. Similarly increased costs are also affecting residents and customers which impacts on the level of income that the Council is able to collect.

Increased demand for many services provided by the Council is predicted to continue as the longer-term consequences of Covid-19 and the current impact of the Cost of Living crisis on unemployment, tax revenues and the wider economy loom. The pandemic served to heighten the already existing uncertainty into the longer term and is being compounded further by the Cost of Living crisis.

The Consumer Prices Index stood at 10.1% in the 12 months to March 2023 which is above the Bank of England's target of 2%. In an attempt to slow the increase in the rate of inflation the Bank of England increased the base rate from 0.75% in March 2022 to 4.25% in March 2023 over 8 tranches. Whilst beneficial to returns on the Council's investments, the higher interest repayments on any new borrowing would have a negative impact on the Council's revenue budget.

This level of uncertainty around local government funding and high inflation costs brings inherent risks for the Council, for which a number of existing measures are in place to ensure the council's financial resilience. For example:-

- Ensuring sufficient reserves are held, underpinned by an annual review of earmarked reserves as part of the budget setting process
- Risk assessing the general reserve to identify the minimum level of reserves required within the annual budget report
- Ensuring an early indication of budget pressures through budget monitoring and reporting arrangements with actions necessary to manage or address such pressures.
- Continuing to focus on achieving value for money through transformation and efficient procurement.

Having regard to these matters, working through its Management Team, elected members and partners, the Council will need to constantly assess its financial position and plans during the course of 2023/24 and beyond, reviewing its annual and longer-term budget assumptions, and identify options for managing budget pressures.

The Council's Medium-Term Financial Strategy, covering the period 2024/28, considered the forecast budget gap over that period and the strategy to balance the budget over the medium term. A Covid-19/Cost of Living Reserve was established in 2021/22 to provide resilience to the Council from the uncertainties in future changes in Government funding, future losses of sales, fees and charges and to provide funding for economic and community recovery - and to allow better opportunity to smooth out resources during any transition periods.

A Pensions Reserve was also established to mitigate the impact of future revaluations of the pension fund. The latest revaluation took place as at 31/03/22, taking effect 01/04/23 and has put Burnley's share of the pension fund in surplus. This has resulted in savings in the revenue budget for the financial years 2023-26 as annual deficit payments are no longer payable into the fund. The next revaluation will take place 31/03/26 and take effect 2027/28. Depending on whether the fund remains in a surplus or returns to a deficit, the Pension Reserve will help to mitigate any impact on the revenue budget.

The Strategy also sets out the Council's ambition to rebuild its level of reserves over future years, including contributing to the Revenue Budget Support Reserve in order to provide funds for exceptional circumstances and to cover risks that could impact the Council as a going concern.

Levels of uncertainty are unprecedented, in particular around rising inflation rates and the Council's ability to generate inflationary revenue increases through local taxes, fees and charges and central government grants to meet the existing rates of inflation. However, it is considered at this stage that this uncertainty does not present a significant risk to the Council's ability to operate as a going concern.

INVESTMENT PROPERTIES

Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which is subject to interpretation.

PENSION FUND ASSET VALUATIONS

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.

Following a consultation exercise in July 2020 a proposed remedy in relation to the "McCloud judgement" for the LGPS has been agreed. The current pension figures provided include an allowance for McCloud that are substantially in line with the proposed remedy.

A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. Further detail on the assumptions used is provided in Note 28 to the Core Financial Statements.

CHARTER WALK

The Council purchased Charter Walk shopping centre in October 2021. An independent third-party market valuation of the asset was undertaken in connection with the purchase of the property. This has been reviewed by the Council's Valuer on an Existing Use Value basis which resulted in an asset valuation of £20m for the combined value of the Council's freehold and leasehold interests. The Council has used this asset valuation for the purpose of the 2022/23 SoA. Uncertainty exists around the achievement of rental income where leases are due to renewal or units become vacant.

Note 3 Events after the reporting period

The Statement of Accounts was certified by the Head of Finance and Property on 31 May 2023. Events taking place after this date are not reflected in the financial statement or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no non-adjusting events after the Balance Sheet date.

Note 4 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the authority's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

PENSIONS

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

During 2022/23 the Council's actuaries advised that the net liability had decreased by £61.528m due to the re-measurement of assets and liabilities as the fund is now in surplus. The previous year had seen a decrease of £17.498m.

The recovery of the fall in equity markets due to the Covid-19 pandemic have been reflected in the accounting figures provided by the actuary as at 31 March 2023.

INVESTMENT PROPERTY – (ASSET VALUATIONS)

Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which is subject to interpretation.

The items in the Council's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year 2023/24 are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment (Asset Valuations)	Asset valuations are carried out in accordance with RICS Red Book Global as at 31 March.	The Council's valuations have not been reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Future revaluations of assets will attempt to reflect observed changes to the property market. It is estimated that for every 1% increase/decrease in the valuation of property, the financial impact will be +/- £911k.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension investments.	The effects on the net pension liability of changes in individual assumptions can be seen in the table below and have been included in detail within Note 28. £000 Longevity (+/-1 Year) +/- £3,229

A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

Rate of Inflation (+/- 0.25%)	+/- £5,396
Rate of increase in salaries (+/- 0.25%)	+/- £565
Rate of discounting scheme liabilities (+/- 0.5%)	+/- £10,077

Any changes in the above assumptions have no impact on the net assets of the scheme.

Any change in the uncertainties listed opposite would lead to a significant change in the estimated pensions liability reported.

There has been substantial volatility in financial markets over recent years due to COVID-19 and the situation in Ukraine, and their subsequent impact on global supply chains and inflation. After a period of relative stability following the COVID-19 shock, recently this volatility has increased significantly, particularly following the minibudget.

The increase in equity markets have been reflected in the accounting figures provided by the actuary as at 31 March 2023. Pension Fund property asset valuations remain a source of estimation uncertainty at this time.

A Pensions Reserve has been established to protect the Council against any potential increases in contribution rates at the next triennial revaluation that would come into effect from 01/04/2026.

This has contributed to significant volatility in bond markets, as yields increased markedly in recent months, with AA-rated corporate bond yields being significantly higher at the end of the financial year than the start. The assumptions for accounting purposes are based on bond yields, and therefore high yields will have an impact on accounting liabilities.

Note 5 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2022/23							Net Expenditure in the Comprehensive Income and Expenditure Statement £000s
	Outturn as Reported to the Executive £000s	Adjustments to Management Reporting (EFA Note 1) £000s	Net Expenditure Chargeable to the General Fund Balance £000s	Adjustments for Capital Purposes (EFA Note 2) £000s	Net Change for Pensions Adjustments (EFA Note 3) £000s	Other Statutory Differences (EFA Note 4) £000s	Adjustments between the Funding and Accounting Basis (see note 7) £000s	
Table 5a								
Continuing Services								
Economy and Growth	589	34	623	174	104	5	283	906
Policy and Engagement	(70)	-	(70)	-	-	(1)	(1)	(71)
Management Team	388	-	388	-	31	(4)	27	414
Sport and Culture Leisure Client	1,171	(6)	1,165	729	-	-	729	1,894
Green Spaces and Amenities	1,484	38	1,522	553	180	(3)	730	2,252
Street Scene	3,323	(3)	3,320	180	96	(1)	275	3,595
Housing and Development Control	878	(8)	870	2,985	146	7	3,138	4,008
Strategic Partnership	4,210	-	4,210	-	-	-	-	4,209
Finance and Property	(1,434)	1,984	550	3,258	77	4	3,339	3,889
Revenues and Benefits	(1,605)	-	(1,605)	-	-	-	-	(1,606)
Legal and Democratic Services	1,054	(11)	1,043	-	63	3	66	1,109
People and Development	204	-	204	-	12	2	14	218
Central Budgets	(42)	320	278	-	333	(1)	332	610
Net Cost of Services	10,150	2,348	12,498	7,879	1,042	11	8,932	21,427
Corporate Items	6,440	(5,749)	691	(13,455)	875	344	(12,236)	(11,545)
Funding	(16,651)	1,040	(15,611)	-	-	(520)	(520)	(16,131)
(Surplus) or Deficit on Provision of Services	(61)	(2,361)	(2,422)	(5,576)	1,917	(163)	(3,821)	(6,249)
Opening General Fund Balance 1 April 2022			(24,434)					
Less/Plus (Surplus) or Deficit on General Fund Balance In-Year			(2,428)					
Reserve Transfers			-					
Closing General Fund Balance at 31 March 2023			(26,862)					

	2021/22							
	Outturn as Reported to the Executive £000s	Adjustments to Management Reporting (EFA Note 1) £000s	Net Expenditure Chargeable to the General Fund Balance £000s	Adjustments for Capital Purposes (EFA Note 2) £000s	Net Change for Pensions Adjustments (EFA Note 3) £000s	Other Statutory Differences (EFA Note 4) £000s	Adjustments between the Funding and Accounting Basis (see note 7) £000s	Net Expenditure in the Comprehensive Income and Expenditure Statement £000s
Table 5b								
Continuing Services								
Economy and Growth	373	-	373	50	88	(6)	132	505
Policy and Engagement	424	10	434	20	30	2	52	486
Management Team	353	-	353	-	28	2	30	382
Sport and Culture Leisure Client	819	-	819	770	-	-	770	1,589
Green Spaces and Amenities	1,025	-	1,025	660	148	(7)	801	1,826
Street Scene	3,242	-	3,242	986	79	(3)	1,062	4,305
Housing and Development Control	331	(10)	321	2,313	119	(8)	2,424	2,745
Strategic Partnership	3,938	-	3,938	-	-	-	-	3,938
Finance and Property	(637)	1,966	1,329	3,298	73	-	3,371	4,698
Revenues and Benefits	(940)	-	(940)	-	-	-	-	(941)
Legal and Democratic Services	841	-	841	-	43	(2)	41	882
People and Development	196	-	196	-	12	(1)	11	207
Central Budgets	1,128	304	1,432	-	11	1	12	1,445
Net Cost of Services	11,093	2,271	13,363	8,097	631	(22)	8,705	22,067
Corporate Items	4,326	(3,618)	708	(2,220)	1,304	(312)	(1,229)	(520)
Funding	(15,419)	-	(15,419)	(6,014)	-	(3,690)	(9,705)	(25,123)
(Surplus) or Deficit on Provision of Services	(0)	(1,348)	(1,348)	(137)	1,935	(4,024)	(2,229)	(3,576)
Opening General Fund Balance 1 April 2021			(23,085)					
Less/Plus (Surplus) or Deficit on General Fund Balance In-Year			(1,349)					
Reserve Transfers			-					
Closing General Fund Balance at 31 March 2022			(24,434)					

EFA NOTE 1: ADJUSTMENTS TO MANAGEMENT REPORTING

This column adjusts the outturn figures reported to management for items chargeable to the General Fund for:

Reserves – the removal of transfers to/from reserves included in the management outturn report as these are not shown on the face of the Comprehensive Income and Expenditure Account.

Investment Properties and Financing & Investment Income & Expenditure – the reallocation of Investment Properties and Financing & Investment Income & Expenditure to/from the Net Cost of Services to Other Operating Income and Expenditure.

EFA NOTE 2: ADJUSTMENT FOR CAPITAL PURPOSES

Adjustments for capital purposes – this column adds in the depreciation and impairment and revaluation gains and losses in the service line, and for:

Other Operating Expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and Investment Income and Expenditure – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and Non-Specific Grant Income and Expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

EFA NOTE 3: NET CHANGES FOR THE PENSIONS ADJUSTMENTS

Net change for the removal of pension contributions and the addition of *IAS 19 Employee Benefits* pension related expenditure and income:

For **Services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.

For **Financing and Investment Income and Expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

EFA NOTE 4: OTHER STATUTORY ADJUSTMENTS

Other statutory adjustments between amounts debited / credited to the Comprehensive Income and Expenditure Statement and amounts payable / receivable to be recognised under statute:

For **Financing and Investment Income and Expenditure** the other differences column recognises adjustments to the General Fund for the statutory override in place to reverse fair value movements in pooled investment funds.

For **Taxation and Non-Specific Grant Income and Expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund

Note 6 Expenditure and Income Analysed by Nature

Expenditure & Funding Analysis	2021/22	2022/23
	£000	£000
Expenditure		
Employee Benefit Expenses	11,451	12,788
Other Service Expenses	48,723	50,328
Depreciation, Amortisation, Impairment	4,951	4,320
Interest Payments	1,684	1,606
Precepts and Levies	168	169
Gain on the Disposal of Assets	(730)	(33)
Total Expenditure	66,247	69,179
Income		
Fees, Charges and Other Service Income	(9,608)	(12,757)
Interest and Investment Income	(2,895)	(2,424)
Income from Council Tax & Non Domestic Rates	(14,738)	(15,314)
Government Grants and Contributions	(42,583)	(44,934)
Total Income	(69,823)	(75,428)
Surplus or Deficit on the Provision of Services	(3,577)	(6,249)

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

GENERAL FUND BALANCE

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

CAPITAL RECEIPTS RESERVE

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance of the reserve shows the resources that have yet to be applied for these purposes at the year-end.

CAPITAL GRANTS UNAPPLIED

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

	Usable Reserves				Unusable Reserves						
	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Usable Reserves £000s	Capital Adjustment Account £000s	Deferred Capital Receipts £000s	Pooled Investment Funds Adjustment Account £000s	Pensions Reserve £000s	Collection Fund Adjustment Account £000s	Accumulated Absences Account £000s	Movement in Unusable Reserves £000s
Table 7a - 2022/23											
Adjustments to the Revenue Resources											
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:											
Pensions costs (transferred to / (from) the Pensions Reserve)	1,917	-	-	1,917	-	-	-	(1,917)	-	-	(1,917)
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	344	-	-	344	-	-	(344)	-	-	-	(344)
Council tax and NDR (transfer to / (from) the Collection Fund Adjustment Account)	(520)	-	-	(520)	-	-	-	-	520	-	520
Holiday pay (transferred to / (from) the Accumulated Absences Reserve)	13	-	-	13	-	-	-	-	-	(13)	(13)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	287	-	5,669	5,956	(5,956)	-	-	-	-	-	(5,956)
Total Adjustments to Revenue Resources	2,041	-	5,669	7,710	(5,956)	-	(344)	(1,917)	520	(13)	(7,710)
Adjustments between Revenue and Capital Resources											
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,581)	2,581	-	-	-	-	-	-	-	-	-
Administrative Costs of Non-Current Asset Disposals (funded by a contribution from the Capital Receipts Reserve)	-	-	-	-	-	-	-	-	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(1,768)	-	-	(1,768)	1,768	-	-	-	-	-	1,768
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,513)	-	-	(1,513)	1,513	-	-	-	-	-	1,513
Total Adjustments between Revenue and Capital Resources	(5,862)	2,581	-	(3,281)	3,281	-	-	-	-	-	3,281
Adjustments to Capital Resources											
Use of the Capital Receipts Reserve to finance capital	-	(2,002)	-	(2,002)	2,002	-	-	-	-	-	2,002
Application of capital grants to finance capital expenditure	-	-	(5,195)	(5,195)	5,195	-	-	-	-	-	5,195
Cash payments in relation to deferred capital receipts	-	-	-	-	-	-	-	-	-	-	-
Cash Payments in Relation to Long-Term Debtor Loans	-	162	-	162	(162)	-	-	-	-	-	(162)
Total Adjustments to Capital Resources	-	(1,840)	(5,195)	(7,035)	7,035	-	-	-	-	-	7,035
Total Adjustments	(3,821)	741	474	(2,606)	4,360	-	(344)	(1,917)	520	(13)	2,606

	Usable Reserves				Unusable Reserves						
	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Usable Reserves £000s	Capital Adjustment Account £000s	Deferred Capital Receipts £000s	Pooled Investment Funds Adjustment Account £000s	Pensions Reserve £000s	Collection Fund Adjustment Account £000s	Accumulated Absences Account £000s	Movement in Unusable Reserves £000s
Table 7b - 2021/22											
Adjustments to the Revenue Resources											
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:											
Pensions costs (transferred to / (from) the Pensions Reserve)	1,935	-	-	1,935	-	-	-	(1,935)	-	-	(1,935)
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(313)	-	-	(313)	-	-	313	-	-	-	313
Council tax and NDR (transfer to / (from) the Collection Fund Adjustment Account)	(3,690)	-	-	(3,690)	-	-	-	-	3,690	-	3,690
Holiday pay (transferred to / (from) the Accumulated Absences Reserve)	(23)	-	-	(23)	-	-	-	-	-	23	23
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	3,158	-	5,195	8,353	(8,353)	-	-	-	-	-	(8,353)
Total Adjustments to Revenue Resources	1,067	-	5,195	6,262	(8,353)	-	313	(1,935)	3,690	23	(6,262)
Adjustments between Revenue and Capital Resources											
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,082)	2,082	-	-	-	-	-	-	-	-	-
Administrative Costs of Non-Current Asset Disposals (funded by a contribution from the Capital Receipts Reserve)	-	-	-	-	-	-	-	-	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(1,023)	-	-	(1,023)	1,023	-	-	-	-	-	1,023
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(191)	-	-	(191)	191	-	-	-	-	-	191
Total Adjustments between Revenue and Capital Resources	(3,296)	2,082	-	(1,214)	1,214	-	-	-	-	-	1,214
Adjustments to Capital Resources											
Use of the Capital Receipts Reserve to finance capital	-	(1,218)	-	(1,218)	1,218	-	-	-	-	-	1,218
Application of capital grants to finance capital expenditure	-	-	(4,443)	(4,443)	4,443	-	-	-	-	-	4,443
Cash payments in relation to deferred capital receipts	-	-	-	-	-	-	-	-	-	-	-
Cash Payments in Relation to Long-Term Debtor Loans	-	188	-	188	(188)	-	-	-	-	-	(188)
Total Adjustments to Capital Resources	-	(1,030)	(4,443)	(5,473)	5,473	-	-	-	-	-	5,473
Total Adjustments	(2,229)	1,052	752	(425)	(1,666)	-	313	(1,935)	3,690	23	425

Note 8 Movements In Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23.

The Council's earmarked reserves are held for the following purposes:

	Balance at 31 March 2021 £000s	2021/22		Balance at 31 March 2022 £000s	2022/23		Balance at 31 March 2023 £000s
		Net transfers In/(Out) £000s	Movements between Reserves £000s		Net transfers In/(Out) £000s	Movements between Reserves £000s	
Transfers to/from Earmarked Reserves							
Earmarked Reserves							
Specific Reserves							
Taxi Licensing	4	-	-	4	-	-	4
Selective Licensing	680	(201)	-	479	(3)	-	476
Local Development Framework	22	-	20	42	-	-	42
Transport & Plant Replacement	36	15	-	51	(15)	-	36
Revenue Grants Unapplied	173	266	(90)	349	101	-	450
Primary Engineer	37	-	-	37	-	-	37
Town Centre Master Plan	95	-	1,000	1,095	-	-	1,095
Charter Walk Refurbishment (New)	-	75	-	75	200	-	275
Charter Walk Regeneration (New)	-	778	-	778	1,047	-	1,825
Burnley Bondholders	45	14	-	59	(29)	-	30
Business Rates Retention Volatility	5,710	3,502	-	9,212	488	(4,661)	5,039
Cremator Relining	-	19	-	19	(19)	-	-
Revenue Support	565	645	-	1,210	606	1,178	2,994
Carry Forwards	2,199	(850)	-	1,349	(464)	-	885
Regeneration Reserve	690	(128)	21	583	(42)	-	541
Pension Strain Reserve	350	358	-	708	405	-	1,113
Sandygate Sinking Fund Reserve	40	41	-	81	42	-	123
Sandygate Smoothing Reserve	588	(3)	-	585	114	-	699
Elections Reserve	38	20	-	58	35	-	93
COVID-19 & Cost of Living Reserve	1,589	628	(1,041)	1,176	(234)	-	942
Housing Initiatives Reserve	51	357	90	498	81	(178)	401
Collection Fund Deficit Reserve	5,264	(5,203)	-	61	(336)	1,788	1,513
Towneley Park Events	-	12	-	12	37	-	49
Energy Volatility	-	194	-	194	66	-	260
Asylum Seekers (New)	-	-	-	-	682	-	682
Padiham Town Hall (New)	-	-	-	-	8	-	8
Pioneer Place Smoothing Reserve (New)	-	-	-	-	200	-	200
	18,176	539	-	18,715	2,970	(1,873)	19,812
Strategic Reserves							
Transformation	1,992	810	-	2,802	(54)	1,873	4,621
Growth	1,538	-	-	1,538	(488)	-	1,050
	3,530	810	-	4,340	(542)	1,873	5,671
Total	21,706	1,349	-	23,055	2,428	-	25,483

SPECIFIC OPERATIONAL RESERVES

Ring-fenced reserves held for operational needs to provide for anticipated future liabilities and to support the operational delivery of specific services. These include:

Taxi Licensing Reserve - under the Local Government (Miscellaneous Provisions) Act 1976 the Council is only permitted to set licence fees to recover the costs of the Taxi Licensing Service, and the effect of this legislation is to prevent fees being set at a level that will result in a 'profit' to the Council. The annual

licence fees are calculated in accordance with the three year pricing policy agreed by the Council's Executive to establish a consistent and fair mechanism for fee setting and avoid large fluctuations in running costs from one year to the next. Any surplus or deficit from previous financial years is transferred into the taxi licensing reserve, in order to maintain a cost-neutral effect on the Council's finances, which is then available for use as part of the three year pricing policy and assist in the equalisation of future licence fees.

Selective Licensing Reserve – this reserve is to accumulate the income from licences granted to landlords to cover the cost of administering the selective licensing initiative.

Local Development Framework Reserve – funded by savings and specific grants received in previous years, this reserve will meet additional costs through changes to the framework governing local planning and development control issues.

Transport & Plant Replacement Reserve – funded by savings on lease contracts, all transport and grounds maintenance equipment is now purchased through the use of this reserve which has generated longer term savings.

Revenue Grants Unapplied Reserve – the Council established this reserve in 2014/15 containing Government grants and external contributions that have no conditions attached that are being set aside for spending on specific services.

Primary Engineer Reserve – this was created in 2015/16 to enable the Council to support a three-year training initiative in schools within Burnley.

Town Centre & Weavers Triangle – this was created in 2016/17 to assist the Council in procuring the expertise to carry out a master planning exercise and is seeking to appoint a suitably qualified multi-disciplinary consultancy team to develop a vision and plan for the town centre. It will enable the Council to deliver a major town centre regeneration scheme.

Burnley Bondholders Reserve – this was created in 2016/17 to manage the excess sponsorship contributions from the bondholders' organisations which are primarily used to fund the Burnley brand and marketing officer and marketing of the town to attract economic investment into the area. These monies were previously held in the Growth Reserve.

Business Rates Volatility Reserve – this is used to safeguard the Council against the timing differences within the business rates retention system.

Cremator Relining Reserve – this was created in 2017/18 to provide an annual contribution to fund the planned relining of the Council's cremators when each relining becomes due.

Revenue Support Reserve – this was created in 2018/19 to provide funding for unanticipated reductions in income and initiatives to offset budget reductions.

Carry Forwards Reserve – this was created in 2018/19 to allow approved budget underspends to be carried forward from one financial year and to be spent in future financial years.

Regeneration Reserve – this was created in 2019/20 to assist in progressing regeneration activities within the borough.

Sandygate Sinking Fund Reserve – this was created in 2020/21 to set aside monies for the ongoing maintenance of Sandygate Halls.

Sandygate Smoothing Reserve – this was created in 2020/21 to allow for fluctuations in annual income and expenditure at Sandygate Halls.

Elections Reserve – this was created in 2020/21 to allow monies to be set aside annually to fund borough elections.

Pension Strain Reserve – this was created in 2020/21 following the 2019/20 triennial review which saw the Council's deficit payments reduce significantly. The reserve allows the Council to set aside funds to mitigate the potential impact of increases to the deficit payment following the next triennial review.

Covid-19 & Cost of Living Reserve – this was created in 2020/21 using Central Government funding received in year. The purpose of the reserve is to help address any shortfalls in income/increases in expenditure incurred in future financial years as a result of the pandemic.

Collect Fund Deficit Reserve – this was created in 2020/21 using S31 grants to offset business rates reliefs given to businesses. Under current collection fund accounting rules, S31 grants received during the year will not be discharged against the collection fund deficit until the following year, thereby inflating the Council's General Fund balances at the end of the financial year. This would lead to potentially misleading accounts, showing a significant increase in available reserves that are not actually available but earmarked against the following year's collection fund deficit.

Housing Initiatives – this was established in 2020/21 to set aside monies for future housing initiatives.

Energy Volatility Reserve – this was created in 2021/22 to help mitigate fluctuations in energy costs.

Charter Walk Refurbishment – this was established in 2021/22 to set aside monies for the ongoing maintenance of Charter Walk.

Charter Walk Regeneration - this was created in 2021/22 to allow for fluctuations in annual income and expenditure at Charter Walk and provide funding towards future regeneration.

Towneley Park Events - this was created in 2021/22 to assist the Council in providing events within Towneley Park.

Pioneer Place Smoothing Reserve - this was created in 2022/23 to allow for fluctuations in annual income and expenditure at Charter Walk.

Asylum Seekers Reserve – this reserve was created in 2022/23 to set aside Central Government grant funding to assist with costs of supporting requests for properties made under Asylum Seeker Full dispersal.

Padiham Town Hall - this was created in 2022/23 to allow for fluctuations in annual income and expenditure at Padiham Town Hall.

Pioneer Place Smoothing Reserve - this was created in 2022/23 to allow for fluctuations in annual income and expenditure at Pioneer Place.

STRATEGIC RESERVES

Held to provide short-term investment for strategic priorities to give flexibility in the use of corporate resources and strategic service transformation and ability to ensure services remain fit for purpose and deliver value for money. The two reserves are:-

Transformation Reserve – this has been created to mitigate the impact of any one-off expenditure that arises from organisational and transformational change and to assist with organisational downsizing.

Growth Reserve – this is used to pump prime projects that deliver demonstrable wider strategic benefits that enable the Council to fulfil its place shaping role for Burnley.

Note 9 Property, Plant & Equipment

* The two figures in each of the tables below, totalling £1.639m surplus in 2022/23 (£0.330m surplus in 2021/22), reflect the deficit or surplus on revaluation that appears at the bottom of the Comprehensive Income and Expenditure Statement.

Property, Plant & Equipment Movements in 2022/23	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Surplus Assets £000s	Assets Under Construction £000s	Infrastructure Assets £000s	Community Assets £000s	Total Property, Plant & Equipment £000s
Cost or Valuation							
At 1 April 2022	73,429	5,289	6,535	3,302	-	2,516	91,070
Additions	777	401	737	12,454	-	-	14,369
* Revaluation increases/(decreases) recognised in the Revaluation Reserve	(505)	-	1,395	-	-	(7)	883
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,422)	-	(55)	(38)	-	-	(2,515)
Derecognition - disposals	(290)	(270)	(2,238)	-	-	-	(2,798)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-
Assets reclassified (to)/from Investment Properties	-	-	-	-	-	-	-
Assets reclassified (to)/from Infrastructure Assets	(1,437)	-	-	-	1,437	-	-
Other movements in cost or valuation	-	-	-	-	-	-	-
At 31 March 2023	69,552	5,420	6,374	15,718	1,437	2,509	101,009
Accumulated Depreciation and Impairment							
At 1 April 2022	(5,281)	(3,859)	-	-	-	(19)	(9,159)
Depreciation charge	(1,285)	(487)	-	-	-	-	(1,772)
* Depreciation written out to the Revaluation Reserve	756	-	-	-	-	-	756
Recognition - disposals	-	249	-	-	-	-	249
Other movements in depreciation and impairment	-	-	-	-	-	-	-
At 31 March 2023	(5,810)	(4,097)	-	-	-	(19)	(9,926)
Net Book Value							
At 31 March 2023	63,742	1,323	6,374	15,718	1,437	2,490	91,083
At 31 March 2022	68,148	1,430	6,535	3,302	-	2,497	81,911

Property, Plant & Equipment Movements in 2021/22	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Surplus Assets £000s	Assets Under Construction £000s	Community Assets £000s	Total Property, Plant & Equipment £000s
Cost or Valuation						
At 1 April 2021	51,039	5,016	8,426	-	2,555	67,036
Additions	22,977	273	354	3,161	-	26,765
* Revaluation increases/(decreases) recognised in the Revaluation Reserve	608	-	(578)	-	-	30
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,418)	-	(926)	-	(39)	(3,383)
Derecognition - disposals	-	-	(1,352)	-	-	(1,352)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-
Assets reclassified (to)/from Investment Properties	-	-	610	-	-	610
Other movements in cost or valuation	1,223	-	-	141	-	1,364
At 31 March 2022	73,429	5,289	6,535	3,302	2,516	91,070
Accumulated Depreciation and Impairment						
At 1 April 2021	(4,241)	(3,348)	-	-	(19)	(7,608)
Depreciation charge	(1,340)	(511)	-	-	-	(1,851)
* Depreciation written out to the Revaluation Reserve	300	-	-	-	-	300
Recognition - disposals	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-
At 31 March 2022	(5,281)	(3,859)	-	-	(19)	(9,159)
Net Book Value						
At 31 March 2022	68,148	1,430	6,535	3,302	2,497	81,911
At 31 March 2021	46,798	1,668	8,426	-	2,536	59,428

INFRASTRUCTURE ASSETS

The Council's Infrastructure Asset is land and is deemed as having an unlimited useful life. Depreciation is therefore not charged against the asset and the asset is shown at historical cost.

ASSET VALUATIONS

Asset valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Red Book Global.

Given the potential for market conditions to move rapidly, valuations should be kept under regular review as market evidence emerges.

DEPRECIATION

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Land and Buildings 20 – 60 years
- Vehicles, Plant and Equipment 3 – 15 years

CAPITAL COMMITMENTS

At 31 March 2023, the Council has significant commitments for future capital expenditure in 2023/24 and future years budgeted to cost £14.121m. Similar commitments at 31 March 2022 were £22.616m. The commitments are:

Schemes	£000s
Pioneer Place	12,190
Empty Homes Programme	1,077
Disabled Facilities Grant	583
Building Alteration Works	271
Total	14,121

REVALUATIONS

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally by professionally qualified surveyors. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on historic cost.

Revaluations	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Surplus Assets £000s	Total £000s
Carried at historical cost	-	1,323	-	1,323
Valued at current value as at:				-
31 March 2023	31,399	-	6,374	37,773
31 March 2022	6,320	-	-	6,320
31 March 2021	3,838	-	-	3,838
31 March 2020	5,345	-	-	5,345
31 March 2019	18,277	-	-	18,277
Total Cost or Valuation	65,179	1,323	6,374	72,876

Note 10 Heritage Assets

RECONCILIATION OF THE CARRYING VALUE OF HERITAGE ASSETS HELD BY THE COUNCIL

* The figure in the table below, totalling £1.997m surplus in 2022/23 (£0m in 2021/22) reflects the deficit or surplus on revaluation that appears at the bottom of the Comprehensive Income and Expenditure Statement.

Heritage Assets Movements in 2022/23	Oil Paintings £000s	Water Colours £000s	Furniture £000s	Sculpture £000s	Ceramics £000s	Other £000s	Total Heritage Assets £000s
Cost or Valuation							
At 1 April 2022	25,908	1,546	2,024	1,218	601	1,454	32,751
* Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,774	35	-	-	-	188	1,997
At 31 March 2023	27,682	1,581	2,024	1,218	601	1,642	34,748

Heritage Assets Movements in 2021/22	Oil Paintings £000s	Water Colours £000s	Furniture £000s	Sculpture £000s	Ceramics £000s	Other £000s	Total Heritage Assets £000s
Cost or Valuation							
At 1 April 2021	25,908	1,546	2,024	1,218	601	1,454	32,751
At 31 March 2022	25,908	1,546	2,024	1,218	601	1,454	32,751

The Council's external valuer, Bonhams, carried out a partial valuation of the major exhibits in March 2023 with a valuation date as at 31 March 2023. The valuations were based on commercial markets including recent transaction information from auctions where similar types of artefacts are regularly being purchased. In 2022/23 (as in 2021/22) there have been no material additions or disposals and the whole collection is not due to be revalued until 2032.

The Council's Heritage Assets are normally held at Towneley Hall Art Gallery & Museum and Burnley Town Hall however restoration of Towneley Hall Art Gallery and Museum is currently being undertaken and some assets have been decanted to other sites until work is completed. The collections (along with the percentage on display at any given time) can be broadly divided into:

- Fine art – oil paintings (70%), watercolour paintings (0%), works on paper (2%) and book illustrations (1880-1920) (0%)
- Furniture (99%)
- Sculpture (98%)
- Ceramics (10%), ivories (14%) and glass (5%)
- Military medals (13%)
- Numismatics (0%), medals (0%) and horology (2%)
- Silver and silver plate (1%)
- Costume and textiles (5%), including vestments (100%)
- Arms and armour (3%)
- Archaeology (local) (0%)

- Egyptology (23%)
- Ethnography (3%)
- Natural history (15%) and geology (4%)
- Local, social and industrial history (80%) (Artefacts, archives and photographs)
- War memorials (100%)

Note 11 Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

Table 11a - Investment Properties Income and Expenses	2021/22 £000s	2022/23 £000s
Rental income from investment property	2,300	2,031
Direct operating expenses arising from investment property	(396)	(78)
Net gain / (loss)	1,904	1,953

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or to undertake repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year.

Table 11b - Investment Properties	2021/22 £000s	2022/23 £000s
Balance at start of the year	10,301	8,674
Additions:		
Purchases	64	72
Subsequent expenditure on enhancement		
Disposals		
Net gains / (losses) from fair value adjustments	283	(33)
Transfers:		
(To) / from property, plant and equipment	(1,974)	-
Balance at end of the year	8,674	8,713

FAIR VALUE HIERARCHY

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2023 shows that the fair value was £8.713m (£8.674m as at 31 March 2022) and that the assets were all commercial units / office units and valued using level 2 - other significant observable inputs. The fair values attributed to level 2 categorisation in the fair value hierarchy have been based upon the market approach using current market conditions and recent sales prices and other relevant transactional information for similar assets in the local authority area. In estimating the fair value of the Council's investment properties the highest and best use of the properties is their current use.

REVALUATIONS

There has been no change in the valuation techniques used during the year for investment properties. Gains or losses arising from changes in the fair value of the investment property are recognised in the

Surplus or Deficit on the Provision of Services on the Financing and Investment Income and Expenditure line.

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out internally by professionally qualified surveyors in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

Note 12 Financial Instruments

CATEGORIES OF FINANCIAL INSTRUMENTS (12A)

The following categories of financial instrument are carried in the Balance Sheet.

FINANCIAL ASSETS	31 March 2022					31 March 2023				
	Non-Current		Current		TOTAL £000s	Non-Current		Current		TOTAL £000s
	Investments £000s	Debtors £000s	Investments £000s	Debtors £000s		Investments £000s	Debtors £000s	Investments £000s	Debtors £000s	
Fair Value Through Profit or Loss	2,125	-	-	-	2,125	1,780	-	-	-	1,780
Amortised Cost	2,000	1,015	35,469	7,781	46,265	1,904	1,006	16,146	8,072	27,128
Total Financial Assets	4,125	1,015	35,469	7,781	48,390	3,684	1,006	16,146	8,072	28,908
Non-Financial Assets	-	-	-	4,836	4,836	-	-	-	5,884	5,884
Total	4,125	1,015	35,469	12,617	53,226	3,684	1,006	16,146	13,956	34,792

FINANCIAL LIABILITIES	31 March 2022					31 March 2023				
	Non-Current		Current		TOTAL £000s	Non-Current		Current		TOTAL £000s
	Borrowings £000s	Creditors £000s	Borrowings £000s	Creditors £000s		Borrowings £000s	Creditors £000s	Borrowings £000s	Creditors £000s	
Amortised Cost	(59,510)	-	(1,636)	(13,426)	(74,572)	(56,103)	-	(3,420)	(2,252)	(61,775)
Total Financial Liabilities	(59,510)	-	(1,636)	(13,426)	(74,572)	(56,103)	-	(3,420)	(2,252)	(61,775)
Non-Financial Liabilities	-	-	-	(11,182)	(11,182)	-	-	-	(3,650)	(3,650)
Total	(59,510)	-	(1,636)	(24,608)	(85,754)	(56,103)	-	(3,420)	(5,901)	(65,425)

FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (12B)

The Council has units in two property funds. These units were acquired for the purpose of increasing the investment income receivable by the Council to help alleviate revenue budget pressures. The fair value of each investment is shown in the table below. Fair Value Movement and Dividend amounts are included within the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

FAIR VALUE THROUGH PROFIT or LOSS	Fair Value 31 March 2022 £000s	Fair Value 31 March 2023 £000s	Movement in Fair Value During 2022/23 £000s	Dividends in 2022/23 £000s
Property Investment Funds:				
Church Commissioners Local Authority (CCLA) Property Fund	1,057	883	(174)	38
Hermes Property Unit Trust	1,068	897	(171)	31
Total	2,125	1,780	(344)	69

INCOME, EXPENSE, GAINS AND LOSSES (12C)

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

INCOME, EXPENSES, GAINS & LOSSES	2021/22		2022/23	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Net Gains/Losses On:				
Financial Assets Measured at Fair Value Through Profit or Loss	(381)	-	275	-
Financial Assets Measured at Amortised Cost	6	-	-	-
Total Net Gains/Losses	(375)	-	275	-
Interest Revenue:				
Financial Assets Measured at Amortised Cost	(87)	-	(668)	-
Total Interest Revenue	(87)	-	(668)	-
Interest Expense	1,155	-	1,528	-

FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (12D)

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

FINANCIAL ASSETS MEASURED at FAIR VALUE

Recurring Fair Value Measurements	Input Level in Fair Value Hierarchy	Valuation Technique Used to Measure Fair Value	As At 31 March 2022	As At 31 March 2023
Fair Value Through Profit and Loss:				
Church Commissioners Local Authority (CCLA) Property Fund	Level 1	Unadjusted Quoted Prices in Active Markets for Identical Shares	1,057	883
Hermes Property Unit Trust	Level 1	Unadjusted Quoted Prices in Active Markets for Identical Shares	1,068	897
Total			2,125	1,780

Church Commissioners Local Authority (CCLA) Property Fund: In November 2018, the Council purchased 306,316 units for £1m (including entry costs of £63k) in CCLA Local Authorities Property Fund, prices are published in the Financial Times and on the CCLA website.

Hermes Property Unit Trust: In January 2019, the Council purchased 139,912 units for £1m (including entry costs of £48k) in Hermes Property Unit Trust, prices are published in the Financial Times and on the Trust's website.

THE FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE (BUT FOR WHICH FAIR VALUE DISCLOSURES ARE REQUIRED) (12E)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, the PWLB certainty rate has been applied to provide the fair value.
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

FINANCIAL LIABILITIES	31 March 2022		31 March 2023	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt	(61,127)	(60,009)	(59,510)	(41,543)
Short-Term Borrowing	(19)	(19)	(13)	(13)
Short-Term Creditors	(11,182)	(11,182)	(3,650)	(3,650)
Total Liabilities	(72,328)	(71,210)	(63,173)	(45,206)

The fair value of the liabilities is lower than the carrying amount as at 31 March because the Council's portfolio of loans now includes a number of fixed rate loans where the interest rate payable is lower than the rate available at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders below current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £41.543m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional/reduced interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

FINANCIAL ASSETS	31 March 2022		31 March 2023	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Short-Term Investments	35,469	35,469	16,146	16,146
Short-Term Debtors	6,891	6,891	7,576	7,576
Long-Term Debtors	1,015	1,015	1,006	1,006
Total Assets	43,375	43,375	24,728	24,728

Short-term investments & borrowing, long-term debtors and short-term debtors & creditors are all carried at cost as this is a fair approximation of their value.

FAIR VALUE HIERARCHY FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE (12F)

RECURRING FAIR VALUE MEASUREMENTS USING:	31 March 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1) £000	Other Significant Observable Inputs (Level 2) £000	Significant Unobservable Inputs (Level 3) £000	TOTAL £000
Financial Liabilities				
<i>Financial Liabilities Held at Amortised Cost:</i>				
PWLB Debt		(41,543)		(41,543)
TOTAL	-	(41,543)	-	(41,543)

RECURRING FAIR VALUE MEASUREMENTS USING:	31 March 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1) £000	Other Significant Observable Inputs (Level 2) £000	Significant Unobservable Inputs (Level 3) £000	TOTAL £000
Financial Liabilities				
<i>Financial Liabilities Held at Amortised Cost:</i>				
PWLB Debt		60,009		60,009
TOTAL	-	60,009	-	60,009

Note 13 Debtors

The short-term debtors shown in the table below are net of impairment allowance for doubtful debts.

	31 March 2022 £000s	31 March 2023 £000s
Short-Term Debtors		
Gross Trade Receivables	2,199	3,802
less Trade Receivables Impairment Allowance	(890)	(993)
Net Trade Receivables	1,309	2,809
Pre-Payments	168	465
Gross NNDR Payers	1,266	1,241
less NNDR Payers Impairment Allowance	(759)	(942)
Net NNDR Payers	507	298
Gross Council Tax Payers	3,280	3,609
less Council Tax Payers Impairment Allowance	(2,448)	(2,643)
Net Council Tax Payers	833	967
Collection Fund Preceptors	4,195	4,619
Housing Benefit	499	623
less Housing Benefit Impairment Allowance	(474)	(592)
Net Housing Benefit	25	31
Gross Other Receivables	5,582	4,767
less Other Receivables Impairment Allowance	-	-
Net Other Receivables	5,582	4,767
Total Short-Term Debtors	12,617	13,956

The gross total of the short-term debtors as at the 31 March 2023 is £19.126m (31 March 2022 was £17.189m).

Note 14 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2022 £000s	31 March 2023 £000s
Cash and Cash Equivalents		
Cash Held by the Authority	8	8
Bank Current Account	1,253	313
Short-Term Deposits	20,216	16,350
Total Cash and Cash Equivalents	21,477	16,671

Note 15 Short-term Creditors

	31 March 2022 £000s	31 March 2023 £000s
Short-Term Creditors		
Trade Payables	(5,685)	(4,185)
Receipts in Advance	(521)	(1,179)
NNDR Payers	(700)	(448)
Council Tax Payers	(78)	(93)
Collection Fund Preceptors	(12,648)	(1,711)
Other Payables	(4,976)	1,714
Total	(24,608)	(5,901)

Note 16 Provisions

	Legal Expenses £000s	Non- Domestic Rate Appeals £000s	Total £000s
Current Provisions			
Balance at 1 April 2022	(10)	(709)	(719)
Additional provisions made in 2022/23	-	-	-
Unused amounts reversed in 2022/23	-	636	636
Transferred from Long-Term Provisions	-	-	-
Amounts used in 2022/23	-	-	-
Balance at 31 March 2023	(10)	(73)	(83)

	Legal Expenses £000s	Non- Domestic Rate Appeals £000s	Pioneer Place £000s	Total £000s
Current Provisions				
Balance at 1 April 2021	(10)	1,119	(250)	(1,379)
Additional provisions made in 2021/22	-	-	-	-
Unused amounts reversed in 2021/22	-	410	250	660
Transferred from Long-Term Provisions	-	-	-	-
Amounts used in 2021/22	-	-	-	-
Balance at 31 March 2022	(10)	(709)	-	(719)

Long-Term Provisions	Bonds and deposits £000s	Contractual obligations £000s	MMI Insurance £000s	Pension guarantees £000s	Total £000s
Balance at 1 April 2022	(49)	(190)	(70)	(52)	(361)
Additional provisions made in 2022/23	(93)	-	-	-	(93)
Unused amounts reversed in 2022/23	-	-	-	-	-
Transferred to Current Provisions	-	-	-	-	-
Amounts used in 2022/23	84	-	-	52	136
Balance at 31 March 2023	(58)	(190)	(70)	-	(318)

Long-Term Provisions	Bonds and deposits £000s	Contractual obligations £000s	MMI Insurance £000s	Pension guarantees £000s	Total £000s
Balance at 1 April 2021	(38)	(190)	(70)	(62)	(360)
Additional provisions made in 2020/21	(44)	-	-	-	(44)
Unused amounts reversed in 2020/21	-	-	-	10	10
Transferred to Current Provisions	-	-	-	-	-
Amounts used in 2020/21	33	-	-	-	33
Balance at 31 March 2022	(49)	(190)	(70)	(52)	(361)

Provisions have been made in the current and previous financial years to set aside amounts to meet future expenditure. These provisions are made at the point where a given liability arises but where the expenditure relating to the liability has not yet been made. The balance on the provisions account therefore reflects the balance of unpaid known liabilities which have already been charged to the Council's revenue account. When the liability is paid the expenditure is charged against the provision. The seven outstanding provisions shown above are:

LEGAL EXPENSES

This provision relates to the Council's estimated legal costs for litigation in court proceedings (or in contemplation thereof) resulting from a number of potential legal disputes.

NON-DOMESTIC RATES APPEALS

This provision for Business Rates appeals was created as a result of the adoption in 2013/14 of the Business Rates Retention scheme which means that the Council now bears part of the risk for future appeals. These were borne by the Government under the old scheme. The Councils' estimate of the value of the appeals provision requirement up to 31 March 2023 is £183,629 (£1,773,347 as at 31 March 2022). The Council has made a provision for 40% of this figure (40% in 2021/22) totalling £73,452 (£709,339 as at 31 March 2022) within the 2022/23 accounts.

BONDS AND DEPOSITS

The Council has many contracts with third parties where the outcome of the contract is partially guaranteed by performance bonds or cash in lieu of such bonds. This ensures that remedial works can be undertaken in the event of any failure by the contractor to complete the works. The bonds and deposits are usually repaid upon completion of the works or exceptionally used to fund remedial works.

CONTRACTUAL OBLIGATIONS

A provision has been created to cover potential payments by the Council under existing contractual obligations.

MMI INSURANCE

This provision relates to estimated outstanding payments on insurance claims for which the Council is responsible. These claims were previously covered by Municipal Mutual Insurance Limited which is in liquidation.

PENSION GUARANTEES

The Council has entered into a number of long-term contracts for services that have been outsourced to service providers. These often involve the transfer of Council employees to the new service provider. Employees' rights are protected under the provision in the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). However, pension rights are not fully covered within the TUPE regulations. For contracts with non-public bodies the responsibility for pension obligations remains with the sponsoring body. This guarantee means that if an admitted body fails to pay its pension obligations to Lancashire County Pension Fund then the Council will be responsible for taking on those obligations.

The risk of default is considered to be small and a provision is included in the accounts to recognise this risk.

Following the revaluation of the pension fund (taking effect 01/4/23) the pension funds of our service providers are now in surplus. This provision has therefore been released.

Note 17 Usable Reserves

Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement, Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations and Note 8 Movements in Earmarked Reserves.

Note 18 Unusable Reserves

	2021/22	2022/23
	£000s	£000s
Unusable Reserves		
Revaluation reserve	53,076	54,912
Capital Adjustment Account	6,831	12,991
Pooled Investment Funds Adjustment Account	236	(108)
Pensions Reserve	(43,706)	-
Collection Fund Adjustment Account	(2,033)	(1,513)
Accumulated Absences Account	(142)	(155)
Total Unusable Reserves	14,262	66,127

REVALUATION RESERVE (NOTE 18A)

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2021/22	2022/23
	£000s	£000s
Revaluation Reserve		
Balance at 1 April	53,486	53,076
Upward revaluation of assets	2,041	4,026
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,711)	(390)
Surplus or (deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	330	3,636
Difference between fair value depreciation and historical cost depreciation	(407)	(401)
Accumulated gains on assets sold or scrapped	(333)	(1,399)
Amounts written off to the Capital Adjustment Account	(740)	(1,800)
Balance at 31 March	53,076	54,912

CAPITAL ADJUSTMENT ACCOUNT (NOTE 18B)

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical costs basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The account contains accumulated gains and losses on investment properties that have yet to be consumed by the Council.

The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2021/22	2022/23
Capital Adjustment Account	£000s	£000s
Balance at 1 April	7,758	6,831
credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(1,858)	(1,772)
Charges for impairment of long-term debtor capital loans	-	-
Revaluation losses on property, plant and equipment	(2,361)	(2,515)
Amortisation of intangible assets	-	-
Revenue expenditure funded from capital under statute	(6,434)	(7,205)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,352)	(2,548)
Sub-total	(12,005)	(14,040)
Adjusting amounts written out of the Revaluation Reserve	740	1,800
Net written out amount of the cost of non-current assets consumed in the year	(11,265)	(12,240)
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	1,218	2,002
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	4,389	8,117
Application of grants to capital financing from the Capital Grants Unapplied Account	4,443	5,195
Statutory provision for the financing of capital investment charged against the General Fund Balance	1,023	1,768
Capital expenditure charged against the General Fund Balance	192	1,513
Capital financing applied in the year	11,265	18,595
or credited to the Comprehensive Income and Expenditure Statement	(739)	(33)
Cash Payments in Relation to Long-Term Debtor Loans	(188)	(162)
Transfers between reserves (Deferred Capital Receipts)	-	-
Balance at 31 March	6,831	12,991

PENSIONS RESERVE (NOTE 18C)

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The credit balance on the Pensions Reserve at the end of 2021/22 therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. However the debit balance at the end of 2022/23 shows a substantial surplus. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2021/22	2022/23
	£000s	£000s
Pensions Reserve		
Balance at 1 April	(61,204)	(43,706)
Remeasurements of the net defined benefit liability / (asset)	19,433	63,445
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,828)	(4,001)
Employer's pensions contributions and direct payments to pensioners payable in year	1,893	2,084
Impact of Asset Ceiling	-	(17,822)
Balance at 31 March	(43,706)	-

POOLED INVESTMENT FUNDS ADJUSTMENT ACCOUNT (NOTE 18D)

The Pooled Investment Funds Adjustment Account contains the fair value gains on the Council two property funds measured at fair value through profit and loss losses in accordance with the statutory override.

	2021/22	2022/23
	£000s	£000s
Pooled Investment Funds Adjustment Account		
Balance at 1 April	(30)	236
Movements in the market value of pooled investment funds debited or credited to the Comprehensive Income and Expenditure Statement	266	(344)
Balance at 31 March	236	(108)

COLLECTION FUND ADJUSTMENT ACCOUNT (NOTE 18E)

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non-Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2021/22	2022/23
	£000s	£000s
Collection Fund Adjustment Account		
Balance at 1 April	(5,723)	(2,033)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	3,690	520
Balance at 31 March	(2,033)	(1,513)

ACCUMULATED ABSENCES ACCOUNT (NOTE 18F)

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

	2021/22	2022/23
	£000s	£000s
Accumulated Absences Account		
Balance at 1 April	(164)	(142)
Settlement or cancellation of accrual made at the end of the preceding year	164	142
Amounts accrued at the end of the current year	(142)	(155)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	22	(13)
Balance at 31 March	(142)	(155)

Note 19 Cash Flow Statements

OPERATING ACTIVITIES (NOTE 19A)

The cash flows for operating activities include the following items:

The (Surplus)/Deficit on the Provision of Services has been Adjusted for the Following Non-Cash Movements:	2021/22	2022/23
	£000s	£000s
Depreciation, Amortisations, Impairment & Downward Valuations	(4,500)	(4,287)
(Increase)/Decrease in Impairment for Bad Debts	(152)	(4,235)
(Increase)/Decrease in Creditors	(14,611)	12,784
Increase/(Decrease) in Debtors	3,893	(3,337)
Increase/(Decrease) in Inventories	3	(2)
Movement in Pension Liability	(1,935)	(1,917)
Carrying Amount of Non-Current Assets and Non-Current Assets Held for Sale, Sold or Derecognised	(1,352)	(2,548)
Other Non-Cash Items	33	(14)
(Increase)/Decrease in Provisions	659	680
Movements in the Value of Investment Properties	283	(33)
Movements in the Value of Pooled Investment Funds	312	(344)
(Increase)/Decrease in Accumulated Absences	(22)	(13)
Net cash flows from operating activities	(17,389)	(3,266)

The (Surplus)/Deficit on the Provision of Services has been Adjusted for the Following Items that are Investing and Financing Activities:	2021/22	2022/23
	£000s	£000s
Proceeds from the Sale of Property Plant and Equipment, Investment Property and Intangible Assets	2,082	2,581
Grant Receipts for the Financing of New Capital Expenditure	9,584	13,786
Net cash flows from operating activities	11,666	16,367

INVESTING ACTIVITIES (NOTE 19B)

The cash flows for investing activities include the following items:

	2021/22	2022/23
	£000s	£000s
Investing Activities		
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	27,127	14,533
Purchase of Short-Term and Long-Term Investments	10,000	-
Payments for Other Long Term Loans	240	164
(Proceeds) From the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(2,082)	(2,581)
(Proceeds) from Short-Term and Long-Term Investments	(4,000)	(6,000)
(Proceeds) from Other Long Term Loans	(198)	(173)
Grant (Receipts) for the Financing of New Capital Expenditure	(9,287)	(14,673)
Net cash flows from investing activities	21,800	(8,731)

FINANCING ACTIVITIES (NOTE 19C)

The cash flows for financing activities include the following items:

	2021/22	2022/23
	£000s	£000s
Financing Activities		
Cash (Receipts) of Short-Term and Long-Term Borrowing	(26,672)	(6)
Cash (Receipts) from Other Short-Term and Long-Term Liabilities	(81)	(210)
Repayments of Short-Term and Long-Term Borrowing	1,213	1,629
Repayments of Other Short-Term and Long-Term Liabilities	-	-
Billing Authorities - Council Tax and NDR Adjustments	1,374	5,273
Net cash flows from financing activities	(24,166)	6,686

Note 20 Reconciliation of liabilities arising from Financing Activities

	1 April 2022	Financing Cash Flows	Non-Cash Changes		31 March 2023
			Acquisition	Other	
	£000s	£'000s	£'000s	£'000s	£000s
Long-Term Borrowings - PWLB	(59,510)		-	3,407	(56,103)
Short-Term Borrowings - PWLB	(1,617)	1,617	-	(3,407)	(3,407)
Short-Term Borrowings - Other	(19)	6	-	-	(13)
Total Liabilities from Financing Activities	(61,146)	1,623	-	-	(59,523)

Note 21 Members' Allowances

The following amounts were paid to Members of the Council during the year.

Table 21a	2021/22	2022/23
Members Allowances	£	£
Allowance Payments	224,346	233,462
Expenses Payments	-	-
Total	224,346	233,462

Payments of allowances to elected Members are made in accordance with the scheme approved annually by the Council and are detailed below:

Table 21b	2021/22	2022/23
Members' Allowances	£	£
Allowance rate paid per annum		
Basic Allowance	3,732	3,732
Executive Member	4,257	4,257
Leader Supplement	13,063	13,063
Deputy Leader Supplement	3,732	3,732
Other Group Leaders	1,244	1,244
Scrutiny Chair	4,665	4,665
Development Control Chair	2,986	2,986
Licensing Committee Chair	1,866	1,866
Development Control Vice Chair	1,493	1,493
Audit and Standards Committee Chair	1,866	1,866
Scrutiny Vice Chair	1,493	1,493
Independent Persons	500	500

Note 22 Officers' Remuneration

The remuneration paid to the Council's Statutory and Non-Statutory Officers who report directly to the Head of Paid Service with a salary of £50,000 or more is shown below.

Table 22a Statutory and Non-Statutory Chief Officers		Salary, Fees and Allowances £	Elections £	Compensation for Loss of Office £	Pension Contribution £	Total £
Head of Paid Service						
Chief Executive	2021/22	116,327	8,985		21,056	146,368
Chief Executive	2022/23	119,039	3,970		21,630	144,639
Monitoring Officer						
Chief Operating Officer	2021/22	92,108	2,996		16,210	111,314
Chief Operating Officer	2022/23	94,449	1,495		16,549	112,493
Chief Financial Officer						
Head of Finance and Property	2021/22	76,046	1,325		13,384	90,755
Head of Finance and Property	2022/23	77,952	-		13,720	91,672
Non-Statutory Chief Officers						
Strategic Head of Economy and Growth	2021/22	76,226			13,416	89,642
Strategic Head of Economy and Growth	2022/23	77,579			13,654	91,233
Head of Policy and Engagement	2021/22	58,779			10,345	69,124
Head of Policy and Engagement	2022/23	60,704			10,684	71,388

The rate of pension contribution is 17.6% for 2022/23 (17.6% for 2021/22).

The number of employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) is shown below. The remuneration includes payments to officers for election duties and compensation for loss of office. The table excludes those officers included in the table above.

Table 22b Remuneration band	2021/22 Number of Employees	2022/23 Number of Employees
£50,000 - £54,999	1	2
£55,000 - £59,999	4	-
£60,000 - £64,999	1	5
£65,000 - £69,999	-	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£125,000-£129,999	-	-
Total	6	7

Note 23 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Council's external auditors:

	2021/22	2022/23
External Audit Costs	£000	£000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	63	65
Fees payable to Grant Thornton for non-audit services	-	-
Fees payable to Grant Thornton for the certification of grant claims and returns for the year	29 *	40
Public Sector Audit Appointments (PSAA) rebate	-	-
Total	89	105

* Please note the 2021/22 'Fees payable to Grant Thornton for the certification of grant claims and returns for the year' has been amended from £25k to £29k due to the fee being finalised in September 2023.

Note 24 Grant Income

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement.

Table a - Grant Income	2021/22	2022/23
	£000	£000
Credited to Services		
Housing Benefit & Council Tax Support Subsidy	(22,491)	(22,551)
Housing Benefit Administration Subsidy	(577)	(601)
Home Office Grant	(347)	(863)
Other Revenue Grants	(3,351)	(66)
Homelessness Grant	-	(273)
Capital Grants & Contributions (see note below)	-	-
Levelling Up Fund	-	(2,667)
Homes England	-	(232)
Historic England	-	(333)
Arts Council	-	(124)
Other Capital Grants & Contributions	(3,571)	(255)
Total	(30,338)	(27,964)
Credited to Taxation and Non-Specific Grant Income		
Revenue Support Grant	(1,649)	(1,700)
Non-ringfenced Government Grants	(1,442)	(797)
Section 31 Business Rates Compensation	(3,521)	(3,423)
New Homes Bonus	(564)	(576)
Capital Grants & Contributions		
Disabled Facilities Grant	(2,722)	(2,855)
Historic England	-	(160)
Arts Council	-	(176)
Lancashire County Council	-	(3,000)
Levelling Up Fund	-	(3,027)
Lancashire Enterprise Partnership	-	(816)
Other Capital Grants & Contributions	(3,291)	(142)
Total	(13,190)	(16,672)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

CURRENT LIABILITIES

Table b - Revenue Grants Receipts in Advance	Balance 31 March 2021 £000	Receipts 2021/22 £000	Applied 2021/22 £000	Balance 31 March 2022 £000	Receipts 2022/23 £000	Applied 2022/23 £000	Balance 31 March 2023 £000
Housing Benefit & Council Tax Support Subsidy	(334)	(23,347)	22,834	(847)	(22,301)	22,904	(243)
Homes England	-	-	-	-	-	-	-
Total	(334)	(23,347)	22,834	(847)	(22,301)	22,904	(243)

LONG-TERM LIABILITIES

Table c - Capital Grants Receipts in Advance	Balance 31 March 2021 £000	Receipts 2021/22 £000	Applied 2021/22 £000	Balance 31 March 2022 £000	Receipts 2022/23 £000	Applied 2022/23 £000	Balance 31 March 2023 £000
Housing Capital Grant	-	-	-	-	-	-	-
Housing Market Renewal	-	-	-	-	-	-	-
Empty Homes Programme	-	-	-	-	-	-	-
Heritage Lottery Fund	24	(364)	747	407	(489)	75	(7)
Section 106 Contributions	(334)	(111)	24	(421)	(496)	24	(893)
Total	(310)	(475)	771	(14)	(985)	99	(900)

Note 25 Related Parties

The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Disclosure of these transactions with related parties provides transparency which allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

CENTRAL GOVERNMENT

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides a significant amount of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from Government departments are set out in the Grant Income Note 24.

ELECTED MEMBERS

Members of the Council have direct control over the Council's financial and operating policies, for which they are paid allowances and expenses. Members' allowances and expenses paid in 2022/23 totalling £233,462 (£224,346 in 2021/22) are shown in Note 21.

In 2022/23 works, goods and services to the value of £2,111 (£137,532 in 2021/22) were commissioned from companies and organisations in which Members had related interests. The Council received £91,487 (£23,319 in 2021/22). Contracts were entered into in full compliance with the Council's Standing Orders for Contracts.

In 2022/23 grants totalling £443,254 (£214,604 in 2021/22) were paid by the Council to external organisations in which Members had either related interests or where the Council had appointed them as their elected representative. The grants were made with proper consideration of declarations of interests and in compliance with the Council's policies and procedures. The relevant Members did not take part in any discussion or decision relating to the grants.

There are three Members of the Council who are also members of Lancashire County Council.

In 2022/23 £2,040,344 (£1,020,487 in 2021/22) was paid for works, goods and services provided to the Council by Lancashire County Council.

In 2022/23 income of £9,558,165 (£645,806 in 2021/22) was received from LCC for services provided by the Council including grant money for distribution.

Details of all these related party interests and record of appointments to external organisations are recorded in either the Council's register of Members' interests or the Council's minutes, both of which are available for public inspection.

COUNCIL OFFICERS

Chief Officers of the Council also hold positions in other organisations.

In 2022/23, there were no payments for goods and services (£70,400 in 2021/22) and grants of £116,115 (£31,500 in 2021/22) paid to companies in which officers had a declared interest, other than those included in this statement. The Council received £416 (£403 in 2021/22). Transactions were entered into in full compliance with the Council's Standing Orders for Contracts.

OTHER PUBLIC BODIES (SUBJECT TO COMMON CONTROL BY CENTRAL GOVERNMENT)

Blackburn with Darwen Borough Council

There is a joint service delivery arrangement in place with Blackburn with Darwen Borough Council for the provision of a building control service within Burnley. This arrangement ended on 31/3/2023.

In 2022/23 £151,240 (£133,247 in 2021/22) was paid to Blackburn with Darwen Borough Council for the provision of this service during the year.

In 2022/23 income of £12,700 (£34,013 in 2021/22) was received from Blackburn with Darwen Borough Council for services provided by the Council.

ENTITIES CONTROLLED OR SIGNIFICANTLY INFLUENCED BY THE COUNCIL

Burnley Leisure & Culture

This is a leisure trust and limited company that operates several services related to sport, healthy lifestyles, leisure and culture on behalf of the Council, which has three elected Members on its Board.

In 2022/23 £1,249,609 (£1,250,787 in 2021/22) was paid to Burnley Leisure & Culture for the provision of services to the Council. This includes a management fee paid to the trust of £720,517 (£526,383 in 2021/22). Grants of £ Nil (£192,132 in 2021/22) were paid.

In 2022/23 income of £450,347 (£382,076 in 2021/22) was received from Burnley Leisure & Culture for services provided by the Council. This included charges made by the Council for service level agreements with the trust of £266,469 (£194,163 in 2021/22).

Barnfield and Burnley (Developments) Ltd

This is a joint venture company between the Council and Barnfield Investment Properties Ltd. The Council has a 50% share of the company and has two representatives on its Board; the Council's Leader and its Chief Executive Officer.

In 2022/23 no payments (nil in 2021/22) were made by the Council to Barnfield and Burnley (Developments) Ltd.

In 2022/23 no income (nil in 2021/22) was received from Barnfield and Burnley (Developments) Ltd by the Council.

Barnfield Investment Properties Ltd

During 2018/19 the Council partnered with Barnfield Investment Properties Ltd to deliver the Homes and Communities Agency funded Starter Homes scheme at On The Banks at Clock Tower Mill, Sandygate, Burnley. Barnfield Investment Properties Ltd has been selected to partner the Council on a 10 year joint venture to develop homes in the borough.

Barnfield Investment Properties Ltd also has a 50% share of Barnfield and Burnley (Developments) Ltd and has three directors on its Board, with two of these also being directors of Barnfield Developments Ltd and Barnfield Construction Ltd.

In 2022/23 £1,829,317 (£87,617 in 2021/22) was paid to Barnfield Investment Properties Ltd for the capital scheme at Newtown Mill, funded through the Levelling Up Fund, in respect of the campus expansion.

In 2022/23 income of £301 (£585 in 2021/22) was received from Barnfield Investment Properties Ltd for services provided by the Council.

Barnfield Construction Ltd

In 2022/23 £7,000 (nil in 2021/22) was paid to Barnfield Construction Ltd for goods and services provided to the Council.

In 2022/23 income of Nil (£4,400 in 2021/22) was received from Barnfield Construction Ltd for services provided by the Council.

REGISTERS OF MEMBERS/OFFICERS INTERESTS

Members of the Council are required by section 30 of the Localism Act 2011 and the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, to disclose outside interests and these are recorded in a register (details of these disclosures are recorded on the Council's website) and the Code of Conduct for Members operated by the Council requires Members to disclose any related interests they have, and to take no part in meetings or decisions on issues which pertain to those related interests.

A register of chief officers' interests has been established in which their outside interests are recorded. Officers are required to comply with a Code of Conduct for officers and to declare interests and remove themselves from activities which may be a conflict of interests, including procurement.

Note 26 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2021/22	2022/23
Capital Expenditure and Capital Financing	£000	£000
Opening Capital Financing Requirement	41,673	63,913
Capital Investment:		
Property, plant and equipment	26,765	14,369
Investment Properties	64	72
Intangible Assets	-	-
Long Term Debtor Loans	240	164
Revenue expenditure funded from capital under statute	6,434	7,205
Sources of finance:	-	-
Capital receipts	(1,218)	(2,002)
Government grants and other contributions	(8,832)	(13,312)
Sums set aside from revenue:	-	-
Direct revenue contributions	(192)	(1,513)
Minimum Revenue Provision	(1,023)	(1,768)
Closing Capital Financing Requirement	63,913	67,129
Explanation of movements in year:		
(Decrease) / Increase in underlying need to borrow (unsupported by Government financial assistance)	22,240	3,216
Increase / (decrease) in Capital Financing Requirement	22,240	3,216

Note 27 Leases

AUTHORITY AS LESSEE

Operating Leases

The Council holds no operating leases.

AUTHORITY AS LESSOR

Operating Leases

The Council leases out property under operating leases for the following purposes:

- For the provision of community services, such as sports facilities, tourism services and community centres.
- For economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

Table b - Property	31 March 2022	31 March 2023
	£000s	£000s
Not later than one year	893	1,095
Later than one year and not later than five years	3,057	3,282
Later than five years	63,836	63,184
Minimum lease payments	67,786	67,561

IFRS 16

Leases have traditionally been classified as a finance lease (in effect as an acquisition with the asset included on the balance sheet, together with a liability to pay for the asset acquired) or an operational lease (in year rental expenses charged to the CIES).

IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset. The effective date for implementation was 1st April 2020, however this date has been delayed to 1st April 2024.

There are two specific exemptions for lessees from applying the acquisition approach:

- short-term leases
- leases where the underlying asset is of low value

The following conditions must be met for a lease to be accounted for using the acquisition approach:

- A contract is in place
- A specific asset is identified in the contract (either explicitly or implicitly)
- The Council has the right (throughout the period of use) to obtain substantially all of the economic benefits/service potential from use of the asset.
- The Council has the right to determine how and for what the asset will be used for throughout the period of use
- The Council will be the exclusive operator of the asset.

The Council has carried out a review of its current lease arrangements and has concluded that no current operational leases meet in full the conditions required to be accounted for using the acquisition approach.

Note 28 Defined Benefit Pension Schemes

PARTICIPATION IN PENSION SCHEMES (29A)

As part of the terms and conditions of employment of its officers, the authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the Statements payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

At 31 March 2023 the Council's principal pension arrangement for its employees was the Lancashire County Pension Fund, which is part of the Local Government Pension Scheme (LGPS). The LGPS is a funded defined benefit pension arrangement for local authorities and related employers, and is governed by statute (principally now the Local Government Pension Scheme Regulations 2013).

The Lancashire County Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees. Each employer's contributions to the fund are calculated in accordance with the LGPS Regulations, which require an actuarial valuation to be carried out every three years.

The latest actuarial valuation of the Fund was carried out as at 31 March 2022, and at that date showed a funding level of 115% (up from 100% at the last valuation - assets of £10.7bn against accrued liabilities of about £9.3bn). The weighted average duration of the liabilities of the fund is 10 years, measured on the IAS19 assumptions. The duration of the liabilities for the individual employers which participate in the scheme can be significantly different from this, reflecting the profile of its employees and former employees.

NATURE

The Fund targets a pension paid throughout life. The amount of the pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a "final salary" scheme) for service up to 31 March 2014 and a re-valued average salary (a "career average" scheme) for service from 1 April 2014 onwards.

REGULATORY FRAMEWORK

Management of the Fund is vested in Lancashire County Council as Administering Authority of the Fund. Lancashire County Council has appointed a Pension Fund Committee (comprised of a mixture of County Councillors and representatives from other employers) to manage the Fund. The Committee is assisted by an investment panel which advises the Committee on its investment strategy and risk management provisions.

Regulations governing the Fund require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the funds solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent valuation was carried out as at 31 March 2022, which showed a surplus of assets against liabilities of £1.395m as at that date, equivalent to a funding level of 115%.

MCCLLOUD JUDGEMENT

On 16 July 2020 the Minister for Housing Communities and Local Government (MHCLG) released the consultation on the McCloud remedy for the LGPS in England and Wales. The key feature of the proposed remedy was broadly as expected in that the final salary scheme underpin is to be extended to a wider group of members for service up to 31 March 2022 but there are a small number of areas of detail which will need further consideration.

An allowance for the McCloud remedy is included in the 31 March 2023 figures, and will be included in future calculations on an ongoing basis (unless there are specific reasons or instruction not to do so). The calculations of the additional liabilities and service costs have generally been done in line with the proposed underpin in the consultation. However there are some minor changes to the underpin for all members who were active on or before 31 March 2012 (e.g. it can now apply historically to members leaving service after 1 April 2014), and the calculation will apply retrospectively even in those cases where a member no longer has a benefit entitlement from the Fund. Other than in exceptional circumstances the impact of these minor proposed changes is expected to be nil.

Furthermore when calculating the potential cost of the McCloud Judgement as part of the 2022 actuarial valuations the Funds Actuary (Mercers) have carried out a stand-alone estimate of the cost of the McCloud Judgement. It is estimated that the cost is an increase in past service liabilities at the valuation date of £107m and has been included in the 2022 liability figure.

RISKS

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, discount rate, bond yields, market prices and the performance of investments held by the scheme.

These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

The Fund's primary long-term risk is that the Fund's assets will fall short of the liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to balance the minimisation of the risk of an overall reduction in the value of the Fund with maximising the opportunity for gains across the whole Funds portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and keep credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Funds forecast cash flow.

AMENDMENTS, CURTAILMENTS AND SETTLEMENTS

The provisions of the Fund were amended with effect from 1 April 2014. As explained above, for service up to 31 March 2014 benefits were based on salaries when members leave the scheme, whereas for service after that date benefits are based on a career average salary. Further details of the changes are available from the Funds Administering Authority.

Curtailments shown in the accounting figures relate to the cost of providing retirement benefits for members who retire early, to the extent that the provision has not already been made for the relevant defined benefit obligations.

Settlements shown in the accounting figures relate to the admission of new employers into the Fund, and who take on part of the Council's assets and liabilities as a result of employing members who have accrued benefits with the Council.

TRANSACTIONS RELATING TO POST-EMPLOYMENT BENEFITS (29B)

The cost of retirement benefits in the reported cost of services is recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

Table 28b	2021/22 £000s	2022/23 £000s
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
Current service costs	2,512	2,765
Administration Costs	38	42
Past service costs and settlements and curtailments	12	-
<i>Financing and Investment Income and Expenditure</i>		
Net interest expense	1,266	1,194
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	3,828	4,001
<i>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of the net defined benefit liability comprising :-	-	-
Return on plan assets	(18,391)	1,851
Actual gains and losses arising on changes in demographic assumptions	(1,609)	(4,934)
Actual gains and losses arising on changes in financial assumptions	-	(74,747)
Actual gains and losses arising on actuary experience	567	14,385
Change due to impact of Asset Ceiling	-	17,822
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(19,433)	(45,623)
<i>Movement in Reserves Statement</i>		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(3,828)	(4,001)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
Employers' contributions payable to the scheme	1,893	470

PENSIONS ASSETS AND LIABILITIES RECOGNISED IN THE BALANCE SHEET (28C)

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

Table 28c i)	2021/22 £000s	2022/23 £000s
Present Value of the defined benefit obligation	213,546	149,983
Fair value of plan assets	(169,840)	(167,805)
Sub-total	43,706	(17,822)
Impact of Asset Ceiling	-	17,822
Net Liability arising from defined benefit obligation	43,706	-

An asset ceiling is the limit above which further increases in net pension cease to be recognised for accounting purposes. The pension surplus of £17.822m has been adjusted by the asset ceiling as the surplus is not fully realisable by the Council in the form of either refunds or reductions in employee contributions.

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:

Table 28c. ii)	2021/22	2022/23
	£000s	£000s
Opening fair value of scheme assets	153,120	169,840
Reversal of 18/19 remeasurement gain/(loss) on the return on plan assets (McCloud)	-	-
Interest Income	3,165	4,688
Remeasurement gain/(loss) on the return on plan assets	18,391	(1,851)
Contributions from employer	1,893	2,084
Contributions from employees into the scheme	427	470
Benefits paid	(7,118)	(7,384)
Other	(38)	(42)
Closing fair value of scheme assets	169,840	167,805

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

Table 28c. iii)	2021/22	2022/23
	£000s	£000s
Opening balance at 1 April	214,324	213,546
Reversal of 18/19 past service cost (McCloud)	-	-
Current service cost	2,512	2,765
Interest cost	4,431	5,882
Contributions from scheme participants	427	470
Remeasurement (gains) and losses:-	-	-
Experience (gains) / loss	567	14,385
Actuarial (gains) and losses from changes in financial assumptions	(1,609)	(74,747)
Actuarial (gains) and losses from changes in demographic assumptions	-	(4,934)
Benefits paid	(7,118)	(7,384)
Past Service Cost	-	-
Losses / (gains) on curtailments	12	-
Liabilities extinguished on settlements	-	-
Closing balance at 31 March	213,546	149,983

STATEMENTS LOCAL GOVERNMENT PENSION SCHEME ASSETS COMPRISED (28D)

Table 28d	2021/22	2022/23
Fair Value of Scheme Assets	£000s	£000s
Cash & Cash Equivalents	4,276	1,334
Bonds		
UK Corporate	698	-
Overseas Corporate	627	346
UK Fixed Gilts	-	-
UK Index Linked	-	-
Overseas Fixed Interest	-	-
Sub-total Bonds	1,325	346
Property		
Retail	-	338
Commercial	1,367	948
Industrial	1,266	1,211
Offices	79	31
Sub-total Property	2,712	2,528
Private Equity		
UK	3,756	2,904
Overseas	10,239	11,158
Sub-total Private Equity	13,995	14,062
Other Investment Funds		
Financials	202	195
Infrastructure	19,348	26,102
Credit Funds	22,730	24,350
Emerging Markets ETF	-	-
Pooled Fixed Income	7,385	2,418
Indirect Property Funds	14,809	14,771
UK Pooled Equity Funds	1,599	1,776
Overseas Pooled Equity Funds	81,459	79,921
Sub-total Other Investment Funds	147,532	149,533
Total Assets	169,840	167,805

BASIS FOR ESTIMATING ASSETS AND LIABILITIES (28E)

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme has been estimated by Mercer Human Resource Consulting, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2022.

The significant assumptions used by the actuary have been:

Table 28e i)	2021/22	2022/23
Long-term expected rate of return on assets in the scheme:		
Longevity at 65 for current pensioners:		
Men	22.3	21.5
Women	25.0	23.8
Longevity at 65 for future pensioners:		
Men	23.7	22.8
Women	26.8	25.6
Rate of inflation - CPI	3.40%	2.70%
Rate of increase in salaries	4.90%	4.20%
Rate of increase in pensions	3.50%	2.80%
Rate for discounting scheme liabilities	2.80%	4.80%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above.

The sensitivity analysis below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method.

The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Table 28e ii)	Increase in Assumptions £000s	Decrease in Assumptions £000s
Longevity (increase or decrease in 1 Year)	3,229	(3,229)
Rate of Inflation (increase or decrease by 0.25%)	5,396	(5,396)
Rate of increase in salaries (increase or decrease by 0.25%)	565	(565)
Rate of discounting scheme liabilities (increase or decrease by 0.5%)	(10,077)	10,077

IMPACT ON THE AUTHORITY'S CASH FLOWS (28F)

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 15 years. Funding levels are monitored on an annual basis.

A triennial valuation was completed on 31 March 2022 with the next triennial valuation due to be completed on 31 March 2025.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014.

The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipated to pay £0.293m expected contributions to the scheme in 2022.

The weighted average duration of the defined benefit obligation for scheme members is 15 years, 2022/2023 (15 years 2021/2022).

Note 29 Contingent Liabilities

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council has identified no contingent liabilities as at 31st March 2023.

Note 30 Nature and Extent of Risks arising from Financial Instruments

THE FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE (BUT FOR WHICH FAIR VALUE DISCLOSURES ARE REQUIRED) (30A)

The authority's activities expose it to a variety of financial risks, including:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the authority
- Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Re-Financing Risk - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market Risk – the possibility that financial loss may arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Finance and Property Unit, under policies approved by Burnley Borough Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

Credit Risk Management Practices

The authority's credit risk management practices are set out on pages 5 to 6 of the Annual Treasury Management Strategy.

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

This Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies

- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2022/23 was approved by Full Council on 23/02/2022 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions of £16.1m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2023 that this was likely to crystallise.

AMOUNTS ARISING FROM EXPECTED CREDIT LOSSES (30B)

The changes in loss allowance during the year are as follows:

LOSS ALLOWANCE by ASSET CLASS (amortised cost) [separate disclosure will be required for relevant asset class]	Lifetime Expected Credit Losses – Simplified Approach £000s	TOTAL £000s
Opening Balance as at 1 April 2022	433	433
Transfers:		
Amounts Written-Off	(52)	(52)
Changes Due to Modifications That Did Not Result in Derecognition	(18)	(18)
Changes in Models/Risk Parameters	-	-
Other Changes	-	-
Closing Balance as at 31 March 2023	363	363

LOSS ALLOWANCE by ASSET CLASS (amortised cost) [separate disclosure will be required for relevant asset class]	Lifetime Expected Credit Losses – Simplified Approach £000s	TOTAL £000s
Opening Balance as at 1 April 2021	333	333
Transfers:		
Amounts Written-Off	(69)	(69)
Changes Due to Modifications That Did Not Result in Derecognition	169	169
Changes in Models/Risk Parameters	-	-
Other Changes	-	-
Closing Balance as at 31 March 2022	433	433

During the year, the authority wrote off financial assets with a contractual amount outstanding of £52k (£69k in 2021/22) that are still subject to enforcement activity.

CREDIT RISK EXPOSURE (30C)

The Council has the Following Exposure to Credit Risk at 31 March 2023:

	Credit Risk Rating	Gross Carrying Amount £000s
12-Month Expected Credit Losses	AAA	-
	AA	-
	A+	6,000
	A	8,000
	BBB	-
	Sub BBB	-

COLLATERAL AND OTHER CREDIT ENHANCEMENTS (30D)

Collateral – During the reporting period the council held no collateral as security.

LIQUIDITY RISK (30E)

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

	31 March 2022 £000s	31 March 2023 £000s
Less Than 1 Year	1,636	3,420
Between 1 and 2 Years	3,407	2,596
Between 2 and 5 Years	3,805	2,851
Between 5 and 10 Years	4,198	3,230
Between 10 and 15 Years	3,593	3,743
More Than 15 Years	44,507	43,683
Total	61,146	59,523

All trade payables are paid in less than one year.

REFINANCING & MATURITY RISK (30F)

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Full Council in the Treasury Management Strategy, on 23/02/2022):

	Approved Minimum Limits	Approved Maximum Limits	31 March 2022	31 March 2023
Less Than 1 Year	0%	20%	2.68%	5.75%
Between 1 and 2 Years	0%	20%	5.57%	4.36%
Between 2 and 5 Years	5%	25%	6.22%	4.79%
Between 5 and 10 Years	5%	30%	6.86%	5.43%
More Than 10 Years	15%	70%	78.67%	79.67%
Total			100.00%	100.00%

MARKET RISK (30G)

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

According to this assessment strategy, at 31 March 2023, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000s
Increase in Interest Receivable on Variable Rate Investments	(337)
Decrease in Fair Value of Fixed Rate Borrowings Liabilities (No Impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	5,250

Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

The Council holds £1.78m in property/multi-asset funds, and their price varies. However, any movements in price will not impact on the General Fund Balance as regulations are in force to ameliorate the impact of fair value movements.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.



4. Supplementary Accounts and Explanatory Notes



Supplementary Financial Statement

THE COLLECTION FUND STATEMENT

31 March 2022 Total £	COLLECTION FUND 2022/23	Business Rates £	Council Tax £	31 March 2023 Total £
	Income			
(49,296,827)	Council Tax Receivables		(51,987,894)	(51,987,894)
(23,332,575)	Business Rates Receivables	(24,799,525)		(24,799,525)
(72,629,402)		(24,799,525)	(51,987,894)	(76,787,418)
	Expenditure			
	Contribution Towards Previous Year Estimated Surplus / (Deficit)			
(6,132,220)	Central Government	(1,563,944)	-	(1,563,944)
(5,162,479)	Burnley Borough Council	(1,251,155)	(9,766)	(1,260,921)
(1,028,651)	Lancashire County Council	(281,510)	(41,649)	(323,159)
(121,678)	Lancashire Fire & Rescue Authority	(31,279)	(2,260)	(33,539)
27,573	Police and Crime Commissioner for Lancashire	-	(5,583)	(5,583)
(12,417,455)		(3,127,888)	(59,258)	(3,187,146)
	Precepts, Demands and Shares			
13,902,059	Central Government	13,414,850	-	13,414,850
18,556,306	Burnley Borough Council	10,731,881	7,649,715	18,381,596
36,385,000	Lancashire County Council	2,414,673	35,566,129	37,980,803
1,959,628	Lancashire Fire & Rescue Authority	268,297	5,553,501	5,821,798
5,269,039	Police and Crime Commissioner for Lancashire	-	1,814,841	1,814,841
76,072,032		26,829,702	50,584,186	77,413,888
	Charges to the Collection Fund			
807,316	Less write offs of uncollectable amounts	244,795	300,580	545,375
327,722	Less: Increase / (Decrease) in Bad Debt Provision	429,028	1,428,308	1,857,336
(1,025,223)	Less: Increase / Decrease in Provision for Appeals	(1,589,718)	-	(1,589,718)
94,324	Transitional Protection Payments (Receivable)/Payable	179,461	-	179,461
188,180	Less: Cost of Collection	186,792	-	186,792
255,346	Less: Renewable Energy Schemes	255,346	-	255,346
-	Less: Interest on Refunds	-	-	-
647,665		(294,296)	1,728,888	1,434,592
	COLLECTION FUND BALANCE			
14,740,790	(Surplus) / Deficit b/fwd 1 April	4,596,127	1,296,974	5,893,101
5,893,101	(Surplus) / Deficit c/fwd 31 March	3,204,120	1,563,950	4,768,070
(8,847,688)	(Surplus) / Deficit on Fund	(1,392,007)	266,975	(1,125,032)
	Allocated to:			
2,032,622	Burnley Borough Council	1,281,648	231,143	1,512,791
1,328,179	Lancashire County Council	288,371	1,102,596	1,390,967
141,753	Police and Crime Commissioner for Lancashire		173,491	173,491
92,485	Lancashire Fire & Rescue Authority	32,041	56,719	88,760
2,298,064	Central Government	1,602,060	-	1,602,060
5,893,101		3,204,120	1,563,950	4,768,070

Notes to the Collection Fund Statement

Note 1 General

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Non-Domestic Business Rates (NDR) and its distribution to precepting bodies and the Government. For Burnley the precepting bodies are Lancashire County Council (LCC), the Police and Crime Commissioner for Lancashire (PCCL) and the Lancashire Fire and Rescue Authority (LFRA).

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and Non-Domestic Business Rates. The administration costs associated with the collection process are charged to the General Fund.

Note 2 Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands (A to H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent number of Band D dwellings).

The Council Tax base was 23,487 for 2022/23 (23,268 for 2021/22). The increase between financial years is mainly due to a forecast decrease in costs in relation to council tax support.

The basic amount of Council Tax for a Band D property (£2,146.50 for 2022/23 (£2,067.19 for 2021/22)) is multiplied by the proportion specified for the particular band to give an individual amount due.

The balance on the Council Tax element of the Collection Fund at 31 March 2023 was a deficit of £231,143 which includes a deficit for the year of £45,923 for the Council.

COUNCIL TAX BASE

The Council Tax base for 2022/23 was approved at the Council meeting on 23 February 2022. Details are shown below:

Band	Ratio	Number of properties	Band D equivalent
A Reduced	5/9	44	24
A	6/9	16,448	10,965
B	7/9	4,558	3,545
C	8/9	5,571	4,952
D	9/9	2,663	2,663
E	11/9	1,153	1,409
F	13/9	304	439
G	15/9	117	194
H	18/9	12	24
Total		30,870	24,214
Less: Allowance for non-collection		3.0%	727

Taxbase for year

23,487
Page 99

Note 3 Council Tax Due

The calculation of the tax due is derived from the Council Tax base for the year calculated in accordance with the provisions of the Local Government Finance Act 1992. The Band D Council Tax for the year 2022/23 was calculated as follows:

	2022/23
Council Tax Due	£
Lancashire County Council	35,566,129
Police and Crime Commissioner for Lancashire	5,553,501
Lancashire Fire and Rescue Authority	1,814,841
Burnley Borough Council	7,480,375
Briercliffe with Extwistle Parish Council	20,000
Cliviger Parish Council	10,000
Habergham Eaves Parish Council	6,000
Hapton Parish Council	15,000
Ightenhill Parish Council	3,600
Padiham Town Council	91,990
Worsthorne with Hurstwood Parish Council	22,000
Dunnockshaw	750
Total to be met from Council Tax	50,584,186

Divided by the Council Tax Base 23,487 (23,268 in 2021/22) this gives an average Band D Council Tax for the year 2022/23 of £2,153.71 (£2,074.43 in 2021/22). This is slightly higher than the figure in Note 2 due to the inclusion above of the parish and town council precept amounts.

Note 4 Non-Domestic Rates

The Council collects Non-Domestic Business Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set by Central Government.

The scheme allows the Council to retain a proportion of the total NDR received. The Burnley share is 40% with the remainder paid to the precepting bodies. For Burnley the NDR precepting bodies are Central Government (50% share), LCC (9% Share) and LFRA (1% Share).

For 2022/23, the total non-domestic rateable value for the Council's area at 31 March 2023 was £76,085,280 (£76,339,069 at 31 March 2022). The national multipliers for 2022/23 were 49.9p for qualifying small businesses (49.9p in 2021/22) and the standard multiplier being 51.2p for all other businesses (51.2p in 2021/22).

NDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

Note 5 Lancashire Business Rates Pool

In 2016/17, 2017/18 and 2018/19 this Council was a member of the Lancashire Business Rates Pool. In a Business Rate Pool, tariffs, top-ups, levies and safety nets are combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.

The Lancashire Business Rates Pool, which included most but not all of the local authorities in Lancashire, was designated by the Secretary of State for Housing, Communities and Local Government and originally operated with allocations on the basis of the 50% business rates retention scheme.

In 2019/20 we successfully submitted a bid along with 15 other authorities in Lancashire to become a 75% Business Rates Pilot Pool. This meant that 75% of collected rates were retained in Lancashire rather than 50%.

In respect of 2020/21, the Government confirmed that 75% Business Rate Pilots would cease at the end of March 2020. As a result, applications for a 50% Lancashire Pool were submitted for 2020/21, 2021/22 and then for 2022/23, consisting of 10 district council's and the county council. Applications in all years were successful. The pool has operated on the same basis as in 2016/17, 2017/18 and 2018/19 during 2020/21, 2021/22 and 2022/23.

Business rates income allocations in 2020/21, 2021/22 and 2022/23 are shown in the table below:

	Lancashire Business Rates Pool - Income Allocations for 2020/21, 2021/22 and 2022/23
District Authorities	40%
Lancashire County Council	9%
Lancashire Combined Fire Authority	1%
	50%
Central Government	50%
Total	100%

As part of the pool arrangements, one authority must be designated as lead authority, which in the case of the Lancashire Business Rates Pool is Ribble Valley Borough Council. As part of this arrangement a fee of £20,000 is payable, charged equally to all members of the pool by Ribble Valley Borough Council in their role as lead.

The retained levy in the Lancashire Business Rates Pool has been distributed as follows:

- Lancashire County Council is paid 10% of the overall retained levy;
- Each district within the pool retains 90% of their retained levy.

Lancashire Business Rates Pilot Pool Members 2022/23	Authority Type	Tariffs and Top-Ups in Respect of 2022/23 £	Retained Levy on Growth 2022/23 £	10% Retained Levy Payable to/receivable by Lancashire County Council £	Net Retained Levy 2022/23 £
Burnley Borough Council	Tariff	6,043,499	(1,230,976)	123,098	(1,107,878)
Chorley Borough Council	Tariff	6,503,220	(1,101,286)	110,129	(991,157)
Fylde Borough Council	Tariff	8,101,273	(612,380)	61,238	(551,142)
Hyndburn Borough Council	Tariff	3,969,106	(1,538,593)	153,859	(1,384,734)
Pendle Borough Council	Tariff	3,388,618	(772,596)	77,260	(695,336)
Ribble Valley Borough Council	Tariff	4,311,424	(917,609)	91,761	(825,848)
Rossendale Borough Council	Tariff	2,713,519	(724,988)	72,499	(652,489)
South Ribble Borough Council	Tariff	10,327,203	(1,750,582)	175,058	(1,575,524)
West Lancashire Borough Council	Tariff	8,698,358	(754,599)	75,460	(679,139)
Wyre Borough Council	Tariff	6,837,509	(735,928)	73,593	(662,335)
Lancashire County Council	Top-Up	(158,098,681)	-	(1,013,955)	(1,013,955)
Central Government	-	97,204,952	-	-	-
Total			- (10,139,537)	-	(10,139,537)

The Net Retained Levy for this Council is shown within Business Rates Retention income on the Comprehensive Income and Expenditure Statement, along with the council's own share of growth achieved in the year.

5. Accounting Policies



Accounting Policies

I. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future.

II. ACCRUALS OF EXPENDITURE & INCOME

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- The council has adopted IFRS15 Revenue from Contracts with Customers in accordance with the Code; however, this has no material impact on the financial statements.

III. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

IV. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

V. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision (MRP)) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

VI. COUNCIL TAX AND NON-DOMESTIC RATES

Billing authorities, such as Burnley Council, act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including Government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and Central Government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

ACCOUNTING FOR COUNCIL TAX AND NDR

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Council's General Fund. Therefore the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowance for doubtful debts, overpayments and prepayments and appeals.

VII. EMPLOYEE BENEFITS

BENEFITS PAYABLE DURING EMPLOYMENT

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year, see Note 18. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Full details of employee benefits paid during employment for senior officers are shown at Note 22.

TERMINATION BENEFITS

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the non-distributed costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

POST-EMPLOYMENT BENEFITS

Most employees of the Council are members of the Local Government Pension Scheme, administered by Lancashire County Council. It is accounted for as a defined benefits scheme providing retirement lump sums and pensions earned as employees working for the Council:

THE LOCAL GOVERNMENT PENSION SCHEME

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based upon assumptions about mortality rates, employee turnover rates and projected future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.5% (based upon the indicative rate of return on an AA corporate bond - not the highest quality AAA bond but nevertheless a "high grade" bond).
- The assets of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet at their fair value – quoted securities at current bid price, unquoted securities by means of a professional estimate, unitised securities at the current bid price and property at market value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned in the year and allocated to the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. This is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
 - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - The return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Lancashire County Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits that are earned by employees.

VIII. EVENTS AFTER THE REPORTING PERIOD

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Adjusting Events - those that provide evidence of conditions that existed at the end of the reporting period. The Statement of Accounts is adjusted to reflect such events.
- Non-adjusting Events – those that are indicative of conditions that arose after the reporting period. The Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

IX. FINANCIAL INSTRUMENTS

FINANCIAL LIABILITIES

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it is repaid. When a premium or discount has been incurred and paid in full by a grant from an external body it is accounted for in full in the year that the grant was received. The reconciliation of the amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instrument Adjustment Account in the Movement in Reserves Statement.

FINANCIAL ASSETS

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI).

FINANCIAL ASSETS MEASURED AT AMORTISED COST

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

EXPECTED CREDIT LOSS MODEL

The Council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can assess at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

X. GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

XI. HERITAGE ASSETS

TANGIBLE AND INTANGIBLE HERITAGE ASSETS

The Council's Heritage Assets are held at Towneley Hall Art Gallery & Museum and Burnley Town Hall. The museum has seven collections of heritage assets which are held principally for their contribution to knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed allowing the Council's heritage assets to be included on the Balance Sheet at their insured value where available.

Heritage assets are deemed to have an indefinite life, and therefore are not depreciated as the charge would be minimal and immaterial. Nevertheless, where there is evidence of physical deterioration, or doubts arise as to its authenticity, the value of the asset has to be reviewed.

XII. INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

This Council does not have any internally generated assets.

Expenditure on the development of website is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible Assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. The useful lives and associated amortisation rates of computer software have been estimated at 5 years. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

XIII. INVENTORIES AND LONG TERM CONTRACTS

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO/weighted average costing formula. Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

XIV. INVESTMENT PROPERTY

Investment properties are those that are used solely to earn rentals and/or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

XV. JOINT OPERATIONS

Joint operations are arrangements where the parties that have joint control of the arrangements have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expense, including its share of any expenses incurred jointly.

XVI. LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

THE AUTHORITY AS LESSEE

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between: **Page 111**

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

THE AUTHORITY AS LESSOR

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve. When future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income. An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Where assets are acquired under operating leases the leasing rentals payable are recognised in the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease.

XVII. OVERHEADS AND SUPPORT SERVICES

The cost of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

XVIII. PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

RECOGNITION

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

MEASUREMENT

Assets are initially measured at cost comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings - fair value, determined using the basis of existing use value for social housing (EUVSH)

- Surplus asset – the current value measurement base is fair value, estimated at highest and best use from a market participants perspective
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

IMPAIRMENT

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

DEPRECIATION

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer

- Vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- Infrastructure – straight-line allocation over 25 years

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately if they have different economic useful lives. The minimum value for separate components has been set at £100k as it is believed that anything below this would result in a trivial impact on the Council's accounts. However, the major components of land and buildings have already been separated for many years, with no depreciation being applied to the land element.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

DISPOSALS AND NON-CURRENT ASSETS HELD FOR SALE

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line of the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The receipt is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of the non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

XIX. PROVISIONS AND CONTINGENT LIABILITIES

PROVISIONS

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that the reimbursement will be received if the Council settles the obligation.

CONTINGENT LIABILITIES

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

XX. RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

XXI. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

XXII. VALUE ADDED TAX

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

XXIII. FAIR VALUE MEASUREMENT

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at the end of the reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which suitable data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.



6. Glossary

Glossary of Terms

ACCOUNTING PERIOD

The period of time covered by the accounts, 12 months commencing on 1 April and ending on 31 March (the balance sheet date).

ACCRUAL

The concept is that income and expenditure are recognised as they are earned or incurred and not as money is received or paid.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or the actuarial assumptions have changed.

AGENCY SERVICES

Services provided by the Council, as an agent on behalf of the responsible body, where that body reimburses the Council for the cost of the work carried out.

ANNUAL GOVERNANCE STATEMENT (AGS)

The formal statement that recognises, records and publishes a local Authority's governance arrangements.

ASSET

A resource controlled by the Authority as a result of past events and from which future economic or service potential is expected to flow to the Authority.

AUDITOR'S OPINION

The opinion required by statute, from the Council's external auditors, indicating whether the statement of accounts give a true & fair view of the financial position of the Authority.

BALANCE SHEET

A statement of recorded assets, liabilities and other balances at the end of the accounting period.

BALANCES

The capital or revenue reserves of the Council made up of the accumulated surplus of income over expenditure on the General Fund or any other fund.

BUDGET

A statement of the Council's spending plans for revenue and capital expenditure over a specified period of time.

CAPITAL ADJUSTMENT ACCOUNT

Represents the amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or to make repayments relating to external loans or other types of capital finance.

CAPITAL CHARGE

A charge to revenue accounts to reflect the cost of fixed assets used in the provision of services.

CAPITAL EXPENDITURE

Spending on the acquisition and substantial renovation of assets either directly by the Council or indirectly in the form of grants to other persons or bodies. The Code of Practice on Local Authority Accounting in the UK defines “expenditure for capital purposes”. Expenditure which does not fall within the definition must be charged to a revenue account.

CAPITAL FINANCING COSTS

The annual cost of borrowing (principal repayments and interest charges), leasing charges and other costs of funding capital expenditure.

CAPITAL GRANTS UNAPPLIED

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with. This reserve holds the balance of grants unapplied at year-end.

CAPITAL RECEIPTS

Income from the sale of capital assets. Such income may only be used for purposes authorised by regulations under Local Government Act 2003, for example to repay loan debt and to finance new capital expenditure.

CAPITAL RECEIPTS - DEFERRED

These represent amounts derived from the sale of assets, which will be received in instalments over agreed periods of time.

CARRYING AMOUNT

Is the amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

CIPFA

The Chartered Institute of Public Finance and Accountants is the accountancy body which recommends accounting practice for the preparation of local authority accounts.

CIPFA PRUDENTIAL CODE

This Code was introduced from 1 April 2004. The basic principle of the Code is that local authorities will be free to invest so long as their capital spending plans are affordable, prudent and sustainable. The Code sets out indicators that the Authority must use and factors that they must take into account to demonstrate that they have fulfilled this objective.

CODE OF PRACTICE

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) specifies the principles and practices of accounting required to give a ‘true and fair’ view of the financial position and transactions of a local Authority.

The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:

- Statements of Accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2015.
- The audit of those accounts undertaken in accordance with the statutory framework established by section 5 of the Audit Commission Act 1998 for England.

The Code prescribes the accounting treatment and disclosures for all normal transactions of a local Authority, and is based on the following hierarchy of standards:

- International Financial Reporting Standards (IFRSs) (including International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) interpretations) as adopted by the European Union (i.e. EU-adopted IFRS).
- International Public Sector Accounting Standards (IPSASs).
- UK Generally Accepted Accounting Practice (GAAP) (Financial Reporting Standards (FRSs), Statements of Standard Accounting Practice (SSAPs) and Urgent Issues Task Force (UITF) Abstracts).

The Code has effect for financial years commencing on or after 1 April 2010.

COLLECTION FUND

The Collection Fund shows the transactions of the Council in relation to the collection from taxpayers and distribution to precepting authorities, the Council and the Government of Council Tax and Non-Domestic Rates. The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing Authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

COMMUNITY ASSETS

Assets that the Council intends to hold in perpetuity that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

CONSOLIDATED BALANCE SHEET

The combined fund balance sheets of the Council.

CONTINGENCY SUM

A sum set aside to provide for foreseen but unquantifiable future commitments or for unforeseen expenditure which may become necessary during the year.

CONTINGENT LIABILITY

A contingent liability is either:

- (a) A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control, or
- (b) A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE GOVERNANCE

The authoritative rules and controls in place within the Council required to promote openness, inclusivity, integrity and accountability.

COST OF MANAGEMENT AND ADMINISTRATION

An allocation to service accounts of the net cost of the administrative and professional departments which support all of the Council's services.

CREDITORS

Are financial liabilities arising from the contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier.

CURRENT ASSET

Is an asset that is intended to be sold within the normal operating cycle; the asset is held primarily for the purpose of trading or the Authority expects to realise the asset within 12 months after the reporting date.

CURRENT LIABILITY

An amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

DEBT REDEMPTION

The repayment of external loans previously raised to finance capital expenditure.

DEBTOR

Are financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.

DEFERRED CHARGES

Expenditure which does not result in, or remain matched with, tangible assets. An example of a deferred charge is expenditure on items such as improvement grants. Deferred charges are written off to the revenue account in the year of account.

DEFERRED DEBTORS

Debts of a capital nature repayable over a period of time in excess of one accounting period e.g. mortgages.

DEPRECIATION

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts.

EXPECTED RATE OF RETURN ON PENSIONS ASSETS

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXPENSES

Are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or increases of liabilities that result in decreases in reserves. Expenses include expenses that arise in the course of the ordinary activities and losses such as revaluation of fixed assets.

FAIR VALUE

Is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms-length transaction.

FINANCE LEASE

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment amounts to substantially all (normally 90% or more) of the fair value of the leased asset.

FINANCIAL YEAR

In the context of a local Authority this means the period from 1 April to the following 31 March inclusive.

FIXED ASSETS

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

FORMULA GRANT

General Government Grant towards the Councils net revenue budget; and which comprises entitlements of Revenue Support Grant and the Council's business rates retained.

GENERAL FUND

The main revenue fund of the Council. Day-to-day spending on services is met from the fund.

GOING CONCERN

The Authority's financial statements have been prepared on a going concern basis; that is, the accounts have been prepared on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

GROSS EXPENDITURE

The cost of service provision before allowing for Government grants, council taxes and other income.

HISTORICAL COST

Is deemed to be the carrying amount of an asset as at 1 April 2007 (i.e. b/f from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

IMPAIRMENT

This is where the useful working life of an asset is significantly reduced – for example, because of damage to a piece of equipment or changes in technology which mean that a service can be provided more efficiently in other ways.

INCOME

Is the gross inflow of economic benefits or service potential during the reporting period when those inflows or enhancements of assets or decreases of liabilities result in an increase in reserves. Income includes both revenue arising in the course of ordinary activities and gains such as the revaluation of fixed assets.

INFRASTRUCTURE ASSETS

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTANGIBLE ASSET

An intangible asset is an identifiable non-monetary asset without physical substance. It must be controlled by the Authority as a result of past events, and future economic or service benefits must be expected to flow from the intangible asset to the Authority. The most common class of intangible asset in local authorities is computer software.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENT PROPERTY

An investment property is one that is used solely to earn rentals or for capital appreciation or both.

LEASING

A method of utilising assets where a rental charge is paid for a specified period of time, instead of outright purchase.

LIABILITIES

Are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

LOANS OUTSTANDING

The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the balance sheet date.

MATERIALITY

The relevance of information contained in the financial statements is affected by its nature and materiality. Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Therefore materiality provides a threshold or cut-off point rather than a primary qualitative characteristic which information must have if it is to be useful. An Authority need not comply with the Code, as to both disclosure and accounting principles, if the information is not material to the true and fair view of the financial statements and to the understanding of users.

MINIMUM REVENUE PROVISION

The minimum amount that the Council must charge to the income and expenditure account to provide for the repayment of debt.

NON-DOMESTIC RATES (NDR)

With effect from April 1990 all non-domestic properties were revalued and the Government determines a national non-domestic rating multiplier every year which is applicable to all local authorities. The rateable values are set by the Valuation Office Agency of HM Revenue & Customs, and there is a statutory revaluation every 5 years. The proceeds of the business rates are partly retained by the Council and the balance is redistributed to the Government, Lancashire County Council and Lancashire Fire and Rescue Authority.

NET EXPENDITURE

Gross expenditure less specific Government grants and other income.

NET BOOK VALUE

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost of current value, less the cumulative amounts provided for depreciation.

NON-OPERATIONAL ASSETS

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment property and assets that are surplus to requirements, pending sale or redevelopment.

OPERATING LEASE

A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PRECEPT

The levy made by precepting authorities (Lancashire County Council, Police and Crime Commissioner for Lancashire, Lancashire Fire and Rescue Authority, Town & Parish Councils) on the Council, requiring the Council to collect income from Council taxpayers on behalf of the precepting authorities and paying over the cash collected to them.

PROVISION

An amount set aside in the accounts for liabilities which are certain to be incurred in the future, but cannot be quantified accurately at the balance sheet date.

PRUDENCE

Accounts should be prepared in accordance with the concept of prudence. Income should only be anticipated to the extent that it will be received, as cash or other assets, with reasonable certainty and full and proper allowance should be made for all known and foreseeable losses and liabilities.

PRUDENTIAL FRAMEWORK

One of the principal features of the Local Government Act 2003 was to provide the primary legislative requirements to introduce a new prudential regime for the control of Local Authority capital expenditure. The regime relies upon both secondary legislation in the form of regulations, and a prudential code which has been published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Under the prudential framework local authorities are free to borrow without specific Government consent if they can afford to service the debt without extra Government support. The basic principle is that authorities will be free to invest as long as their capital spending plans are affordable, sustainable and prudent. As a control mechanism to ensure this occurs all authorities must follow the prudential code published by CIPFA. This involves setting various prudential limits and indicators that must be approved by the Council.

PUBLIC WORKS LOAN BOARD (PWLB)

A body, now part of the Debt Management Office (a Government agency), which lends money to public bodies for capital purposes. At present nearly all borrowers are local authorities. Monies are drawn from the National Loans Fund and rates of interest are determined by the Treasury.

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or

- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

RELATED PARTY TRANSACTIONS

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for, a related party irrespective of whether a charge is made. The materiality of related party transactions should be judged not only in terms of their significance to the Authority, but also in relation to its related party.

RENT ALLOWANCE

A subsidy payable by the Council to low-income tenants in private rented accommodation.

RESERVE

The residual interest in the assets of the Authority after deducting all its liabilities. The Movement in Reserves Statement shows the true economic cost of providing the Authority's services, represented by the line 'Surplus or (deficit) on the provision of services'. Some income and expenditure is required to be recognised on a different basis or in a different accounting period (i.e. in accordance with legislation) in the General Fund. These differences are shown in the line 'Adjustments between accounting basis and funding basis under regulations'. Voluntary transfers to or from the General Fund Balance also affect the amount to be funded from Council Tax; these are shown in the line 'Transfers to or from reserves available to fund services'. The Movement in Reserves Statement also shows Other Comprehensive Income and Expenditure, for example revaluation gains.

RESIDUAL VALUE

Of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

REVALUATION RESERVE

From April 2007, this replaced the former Fixed Asset Restatement Account. The Revaluation Reserve will, like the Fixed Asset Restatement Account, measure the gains or losses on assets where a revaluation has taken place.

REVENUE ACCOUNT

An account that records an Authority's day-to-day expenditure and income on such items as salaries and wages and other running costs of services.

REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE (REFFCUS)

Expenditure to be classified as capital for funding purposes when it does not result in it being carried on the balance sheet as a fixed asset.

REVENUE SUPPORT GRANT (RSG)

A grant paid by Central Government to every Local Authority to help to finance its expenditure generally and not specific services. It is based on the Government's assessment of how much the Council needs to spend in order to provide a standard level of service.

STOCKS AND WORK IN PROGRESS

Items of stores and raw materials which have been procured for use on an on-going basis and which have not yet been used at the end of the accounting period.

TEMPORARY LOANS

Loans where repayment is due to be made or repayment can be demanded, within one year from the date of advance.

TREASURY MANAGEMENT

This relates to Borrowing and Cash activities (including Investment) of the Authority, and the effective management of any associated risks. Local authorities' treasury management activities are prescribed by statute – in England & Wales the source of such powers is the Local Government Act 2003, which simplified past complexities and gave further clarification. A local Authority may borrow or invest for any purpose relevant to its functions, under any enactment (law) for the purpose of the prudent management of its financial affairs. The Council also applies the CIPFA code of practice on treasury management in public services.





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Grant Thornton UK LLP
Royal Liver Building
L3 1PS

Our Ref
Your ref
Date 14th December 2023

Dear Grant Thornton UK LLP

Burnley Borough Council
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Burnley Borough Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.



- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.
- xv. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.



Information Provided

- xvi. We have provided you with:
- access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of your audit; and
 - access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xvii. We have communicated to you all deficiencies in internal control of which management is aware.
- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
- management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Standards Committee at its meeting on 14th December 2023.



Yours faithfully

Name

Signature

Position

Date

Name

Signature

Position

Date

Signed on behalf of the Council

The Audit Findings for Burnley Borough Council

Year ended 31 March 2023



Contents



Your key Grant Thornton team members are:

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Section

1. [Headlines](#)
2. [Financial statements](#)
3. [Value for money arrangements](#)
4. [Independence and ethics](#)

Page

3
6
21
23

Appendices

- A. [Communication of audit matters to those charged with governance](#)
- B. [Action plan – Audit of Financial Statements](#)
- C. [Follow up of prior year recommendations](#)
- D. [Audit Adjustments](#)
- E. [Fees and non-audit services](#)
- F. [Auditing developments](#)
- G. [Audit opinion](#)

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit and Standards Committee.

Georgia Jones

Georgia Jones
For Grant Thornton UK LLP
Date: December 2023

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

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Burnley Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Page 137

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed during July-September. Our findings are summarised on pages 2 to 20.

Audit adjustments are detailed in Appendix D. We have raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion [Appendix G] or material changes to the financial statements, subject to the following outstanding matters;

- completing of work on the pension figures
- completion of final quality checking procedures
- receipt of final management representation letter; and
- review of the final set of financial statements

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unqualified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have completed all our VFM work and have issued our Auditor's Annual Report. We have not identified any significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. In our planning we identified a risk in respect of financial sustainability and have raised improvement recommendation in relation to this (Section 3).

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon issue of our audit opinion

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk)

We would like to thank everyone at the Council for their support in working with us to provide timely audit evidence and in responding efficiently to any audit queries raised. This has enabled the audit to keep on track and the issue of a timely audit opinion.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on council budgets, there are concerns as councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

Burnley Council has a well-managed Treasury Management system and adheres to a prudent policy on borrowings. The Treasury Management Strategy 2022/23 reported a current under borrowed position whereby the capital borrowing requirement is not fully funded by loan debt.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit and Standards Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 14 December 2023, as detailed in Appendix G. These outstanding items include:

- completing of work on the pension figures
- completion of final quality checking procedures
- receipt of final management representation letter; and
- review of the final set of financial statements

2. Financial Statements

Amount (£) Qualitative factors considered

Materiality for the financial statements	1,282,040	This equates to 2% of your gross operating expenditure for the 2021/22 year (1.9% of your gross operating expenditure for 2022/23) and is considered to be the level above which users of the financial statements would wish to be aware in the context of overall expenditure. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Council has expended its revenue and other funding.
Performance materiality	897,428	The performance materiality has been set at 70% of financial statement materiality. This reflects a standard benchmark based on risk assessed knowledge of potential for errors arising.
Trivial matters	64,100	This is the threshold for matters that are clearly inconsequential, whether taken individually or in aggregate. It is a standard benchmark set at 5% of materiality.



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan issued in May 2023.

We set out in this table our determination of materiality for Burnley Borough Council.



2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Commentary

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

We:

- evaluated the design effectiveness of management controls over journals;
- analysed the journals listing and determined the criteria for selecting high risk unusual journals, including:
 - Journals created by senior management
 - Journals which impact the financial outturn
 - Year-end adjustment journals
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;
- gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness regarding corroborative evidence; and
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

From testing carried out on our review of journals along with supporting documents, there has been no evidence of inappropriate management override of controls.

Our commentary on key accounting estimates is set out on pages 12 to 16. We found accounting policies to be appropriate.

Improper revenue and expenditure recognition

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited; and
- the culture and ethical frameworks of local authorities, including Burnley Borough Council, mean that all forms of fraud are seen as unacceptable.

Therefore, we do not consider this to be a significant risk for Burnley Borough Council. (continued)

2. Financial Statements: Significant risks (contd.)

Improper revenue and expenditure recognition (cont.)

In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).

We have also considered the risk of improper expenditure recognition and given the Council's expenditure streams are not considered unusual we do not consider this to be a significant risk of material misstatement at this time.

Based on our testing performed in different sections of income and expenditure we have not identified any issue that could materially impact the financial statements and result in a misstatement. We have performed work on the below mentioned income and expenditure line items from the financial statements:

- Fees and Charges Income
 - Grant Income
 - Other expenditure
 - Housing benefit expenditure
 - Employee benefit expenditure
-

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Valuation of land and buildings (including surplus assets and investment properties)

The Council revalue its land and buildings, on a rolling five yearly basis and annually for investment properties. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£65.179m of land and buildings, and £8.713m of investment properties in the 2022/23 accounts) and the sensitivity of this estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.

Surplus Assets: All surplus assets should be valued and reported at fair value under relevant accounting principles. This valuation of £6.374m in the 2022/23 accounts, represents a significant estimate by management in the financial statements due to the size of the numbers involved compared to Council's materiality and the sensitivity of this estimate to changes in key assumptions

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

Commentary

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- discussed with the valuer the basis on which the valuation was carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation;
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

As part of our overall audit work, we tested 11 asset valuations for land and buildings and 11 investment properties, including individually large assets or those with unusual movements. In completing our work, we examined the accounting entries, data and assumptions used, relevant asset indices and considered those assets not revalued.

We identified an asset that was included with Other Land and Buildings that should have been classified as an Infrastructure Asset. This has classification has been amended by the Council and has no impact overall on the balance sheet.

Our audit work has not identified further significant issues in respect of valuation of land and buildings (see page 12 for further commentary on estimates used by management).

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of the pension fund net liability

The Council's pension fund net liability for 2022/23, as reflected in its balance sheet as the net defined benefit pension liability, represents a significant estimate in the core financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£17.8m asset in the Council's 2022/23 balance sheet) and the sensitivity of the estimate to changes in key assumptions. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability

We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement

We:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (the actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- obtained assurances from the auditor of the Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.
- Where a pension fund asset arises (when the present value of the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date) the Council should consider the potential impact of International Financial Reporting Interpretation Committee (IFRIC) 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction . This limits the amount of any net defined benefit asset to a ceiling which is the present value of those future benefits.

At 31 March 2023 the pension fund is in a net asset position. The Council obtained an IFRIC 14 assessment from its actuary which concluded the asset ceiling as £nil. The Council has now updated the financial statements to reflect this assessment (see the schedule of adjustments in Appendix D).

At the time of writing we are awaiting the letter of assurance from the Pension Fund auditor.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Land and Building valuations (including surplus assets) – £1.5m net book value

Page 146

The Council request their internal valuer to revalue other land and building (opening value £68.1m net book value) on a five year cycle, using depreciated replacement cost (DRC) for specialised assets such as libraries, galleries and leisure centres. The remainder of operational other land and building are required to be revalued at existing use value (EUV). Surplus assets comprising of an opening value of £8.4m are required to be revalued annually at fair value, estimated as highest and best use from a market participant's perspective.

In 2022/23 the Council revalued £31.4m (48%) of other land and buildings and revalued 100% of surplus assets.

Management have considered the year end value of non-valued properties in 2022/23. While not performing detailed calculations, Management rely on the internal valuers knowledge to assert that there is no material movement between the year end value of non-valued properties and their last revaluation.

Similarly for assets revalued in year, management asserts that there is no potential material valuation movement arising between 1 April 2022 and the balance sheet date.

The Council's accounting policy on valuation of land and buildings is included in the Accounting Policies note which starts on page 90 of the financial statements.

We assessed the qualifications, skills and experience of the valuer and determined the service to be appropriate.

The underlying information and sensitivities used to determine the estimate was considered to be complete and accurate.

The valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates.

We have uplifted assets not revalued in the period using information on Local Government asset values movements 22/23 provided by Montagu Evans (appointed by the NAO) and accepted management's assessment that there has been no material changes to the valuation of land and buildings not revalued in year.

We consider the level of disclosure in the financial statements to be appropriate.

We selected a sample of 11 Other Land and Buildings valuations to test for appropriate use of valuation assumptions and input data. This work is complete..

We raised the issue in 2021/22 that management should complete their own assessment of potential movement in asset values for those assets not revalued in the year (continued)

We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations (including surplus assets) – £71.5m net book value	<p>The Council request their internal valuer to revalue other land and building (opening value £68.1m net book value) on a five year cycle, using depreciated replacement cost (DRC) for specialised assets such as libraries, galleries and leisure centres. The remainder of operational other land and building are required to be revalued at existing use value (EUUV). Surplus assets comprising of an opening value of £8.4m are required to be revalued annually at fair value, estimated as highest and best use from a market participant's perspective.</p> <p>In 2022/23 the Council revalued £31.4m (48%) of other land and buildings and revalued 100% of surplus assets.</p> <p>Management have considered the year end value of non-valued properties in 2022/23. While not performing detailed calculations, Management rely on the internal valuers knowledge to assert that there is no material movement between the year end value of non-valued properties and their last revaluation.</p> <p>Similarly for assets revalued in year, management asserts that there is no potential material valuation movement arising between 1 April 2022 and the balance sheet date.</p>	<p>Based on our follow up on our last year's recommendation management have commented that they have not made any amendments to their revaluation strategy this year. As in previous years the valuer reviews the full list of assets not revalued and based on their detail knowledge of the assets they look to identify any assets which may have been impaired.</p> <p>We have completed our own assessment of assets not revalued in the year. We are satisfied that they are not materially misstated. However we re-assert that management should complete their own detailed assessment of assets not revalued to assure themselves that there is no material difference in the carrying value to current value.</p> <p>Therefore this recommendation has been repeated this year. See the Action Plan in Appendix B.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious.</p>

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £8.7m	<p>The Council has a number of assets that it has determined to be investment properties. Investment properties must be included in the balance sheet at fair value (the price that would be received in an orderly transaction between market participants at the measurement date) so these assets are valued every year with a revaluation date of 31 March 2023.</p> <p>The Council's internal valuer completes the valuation of these properties. The year end valuation of the Council's investment property was £8.7m.</p>	<ul style="list-style-type: none"> We have no concerns over the competence, capabilities and objectivity of the internal valuation expert used by the Council. The valuer has agreed clear terms of reference for this work with the Council in advance of the work being performed, including within which were the assumptions that were going to be applied to this work There have been no changes to the valuation method this year This work has not raised any issues with the 2022/23 valuations. <p>We have assessed the likelihood of a material difference between the Councils valuation of investment properties against regional market trends . We did not identify a material difference and are satisfied Investment Property is not materially mis-stated.</p> <p>We selected a sample of 11 investment property valuations to test for appropriate use of valuation assumptions and input data. We have not identified any issues.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

2. Financial Statements: key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Net pension asset – £17.8m

The Council's net pension liability at 31 March 2023 is £17.8m asset (2021/22 £43.7m liability) comprising the Lancashire Pension Fund local government and unfunded defined benefit pension scheme obligations. The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2023. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund asset/ liability, small changes in assumptions can result in significant valuation movements. There has been a £61.5m net actuarial gain during 2022/23.

In understanding how management has calculated the estimate of the net pension liability we have:

- assessed the use of a management's expert actuary;
- assessed the actuary's calculation approach
- used PwC as auditors expert to assess actuary and assumptions made by the actuary (see table below).

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.8%	4.7-4.9%	●
Pension increase rate	2.8%	2.70% p.a. for all employers	●
Salary growth	4.2%	1.25% - 1.50% p.a. above CPI.	●
Life expectancy – Males currently aged 45/65	22.8 21.5 yrs	22.4-24.3 21-22.6 yrs	●
Life expectancy – Females currently aged 45/65	25.6 23.8 yrs	25.3-26.6 23.5-24.7 yrs	●

- examined the completeness and accuracy of the underlying information used to determine the estimate
- undertook a reasonableness test of the Council's share of LGPS pension assets
- assessed the reasonableness of the change in estimate
- assessed the adequacy of the disclosure of the estimate in the financial statements
- confirmed there have been no changes to the valuation methodology since the previous year, other than the updating of key assumptions above.

As noted on page 11 the Council obtained an IFRIC 14 assessment from its actuary to determine the pension fund asset ceiling (which is limited to the present value of future benefits). We have checked the actuary calculations which concluded a ceiling of £nil. The Council have now amended the net pension asset to £nil (previously £17.8m).

We are waiting for assurances from the auditor of the Lancashire Pension Fund before we can complete our work in this area. Their response provides assurances on the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements









We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates





Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Grants Income Recognition £44.6m (2021/22 £43.5m)</p> <p>The Council has received grant funding during 2022/23 to support households with the rising costs of living. These discretionary and non-discretionary grants programmes are more complex with management judgement required.</p>	<p>Management take into account three main considerations in accounting for grants:</p> <ul style="list-style-type: none"> whether the authority is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Management's assessment needs to consider all relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements. whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income whether the grant is a specific or non-specific grant. General unringfenced grants are disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts. 	<ul style="list-style-type: none"> We have substantively tested a sample of grants across categories; and reviewed management's assessment as to whether the Council is acting as the principal or agent For the sample selected we have reviewed the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income We have also assessed for the sample of grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES. We have assessed the adequacy of disclosure of grants received and judgement used by management. <p>We have concluded that management's judgement is reasonable and sufficiently disclosed to meet the requirements of IAS20 based on the terms of the grant and how they have applied it.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
			Security management	Technology acquisition, development and maintenance	Technology infrastructure		
Civica Financials	Detailed ITGC assessment (design and operating effectiveness)					Management override of controls	Examination of compensating controls for user access. (see recommendation in Appendix B).
Northgate iWorld	Detailed ITGC assessment (design and operating effectiveness)					none	n/a

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Page 152

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Standards Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which was included in the Audit and Standard Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to bank and investment counterparties. This permission was granted and the requests were sent. All requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements, other than those mentioned in Appendix D - disclosure misstatements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided. Our findings are subject to the satisfactory completion of our work and the matters set out on page 3.

2. Financial Statements: other communication requirements



Our responsibility

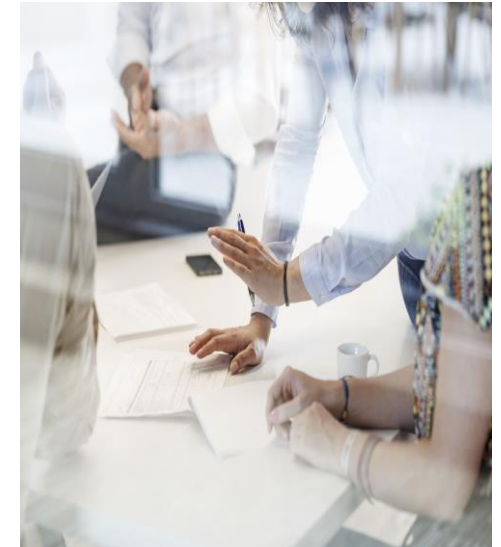
As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Page 153

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect as reported at Appendix G.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>Guidance on specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions have now been issued. This work is not required as the Council has not exceeded the NAO's threshold.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2022/23 audit of Burnley Borough Council in the audit report.</p>



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM: our procedures and conclusions

We have completed our VFM work and the Auditor's Annual Report is included on the same agenda as this report..

As part of our planning work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risk set out in the table below. Our work on this risk is complete and reported separately in our Auditor's Annual Report.

Page
156

Risk of significant weakness

Financial sustainability

The Council continues to face significant financial pressures with significant increases in relation to energy, fuel, food and other service provision.

The Council's Medium Term financial strategy 2024/25 to 2027/28 (updated February 2023) indicates a potential £2.1m cumulative budget gap over the 4 year period, based on estimated future Government funding.

The Council acknowledges that it is essential that it continues to not only reduce costs and deliver required savings but also seize any opportunities for leveraging wider strategic benefits.

Work performed to date

This work is complete and will be reported in our Auditors Annual Report.

We have not identified any significant weaknesses in the Council's arrangements.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

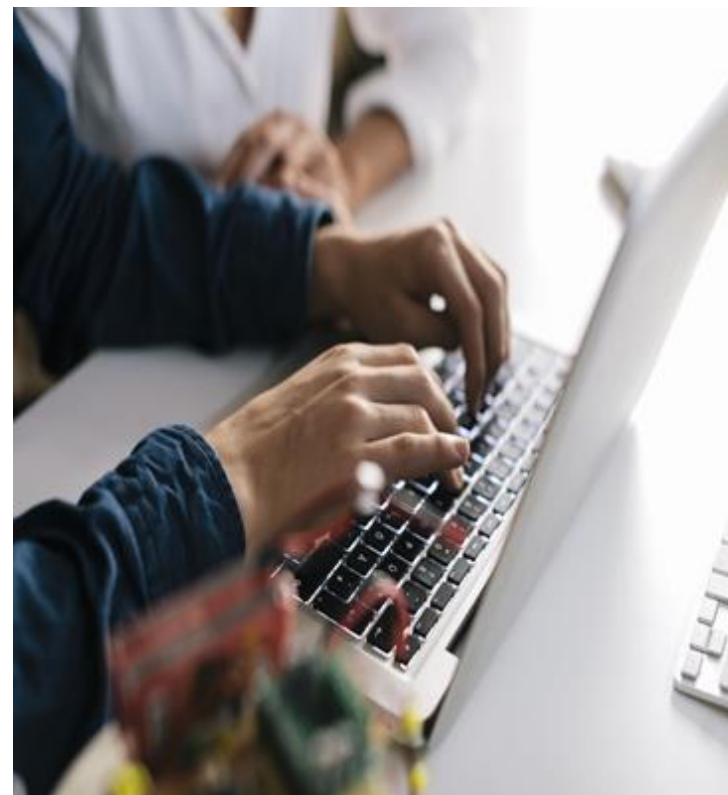
We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).



4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. No audit related services were identified.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of housing benefits subsidy claim	39.5k	<p>Self-Interest (because this was a recurring fee)</p> <p>Self review (because GT provides audit services)</p>	<p>The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £39,503 in comparison to the total fee for the audit of £64,788 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.</p> <p>To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.</p>

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council's board, senior management or staff that would exceed the threshold set in the Ethical Standard.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Audit opinion
- H. Audit letter in respect of delayed VFM work

Page 160

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 5 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 162</p> <p>Low</p>	<p>Valuation of Heritage Assets</p> <p>The Council’s external valuer, Bonhams, carried out a partial valuation of the major exhibits at 31 March 2023. This resulted in a £2m increase in the total valuation, mainly oil paintings, to an overall value of £37.4m.</p> <p>We understand a full valuation was not done due to capacity issues with the valuers.</p>	<p>We recommend the Council engage a further valuation for those Heritage assets not covered by the 2023 programme.</p> <p>Management response</p> <p>Due to capacity issues with our external valuer, Bonhams, a full valuation of the Councils heritage assets was not completed for the 2022/23 financial year. Instead, a partial revaluation of the major exhibits was carried out with a valuation date of 31 March 2023. The Council’s external valuer is currently in the process of undertaking a desktop valuation of those assets not covered by the 2023 programme. This will conclude the valuation of the Council’s heritage assets.</p> <p>The Council was unable to perform a desk top exercise to value those assets not valued as at 31 March 2023 due to a lack of local indicators that could be used to provide a reliable estimate the asset value</p>
<p>Medium</p>	<p>Depreciation policy</p> <p>We sample tested the depreciation applied to 12 assets not measured under the revaluation method (vehicles, plant and equipment, assets under construction and community assets). We identified 1 asset with a life of 15 years which is outside the Council’s policy of 3-10 years useful economic life (UEL) used to calculate the depreciation charge.</p> <p>The Council examined the range of UEL’s applied to the asset base and identified a total of 7 assets with depreciation of £64,762 that had a UEL outside the policy range. This total value is trivial however we recommend the Council carries out a regular check on the UEL’s of its assets to ensure these are in line with the depreciation policy for each category of asset.</p> <p>We understand the depreciation policy is due to be amended to reflect this change in UEL for 2022-23.</p>	<p>We recommend the Council carries out a regular check on the UEL’s of its assets to ensure these are in line with the depreciation policy for each category of asset.</p> <p>Management response</p> <p>The Council has reviewed and updated the Depreciation Policy to reflect the UEL of assets. The updated policy is included within the Audited 2022/23 Statement of Accounts.</p> <p>An annual review of the UEL of assets will be undertaken to ensure that they are in line with the Council’s Depreciation Policy.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

We have identified 5 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 163</p> <p>Medium</p>	<p>Assets not revalued in the year</p> <p>We raised a recommendation in our last audits of 2020/21 and 2021/22 that management complete their own assessment of the value of those assets not covered as part of the rolling revaluation programme to ensure these are fairly stated.</p> <p>48% (or £37.7m out of £65.2m other land and buildings) of assets were not revalued as at 31/3/23.</p> <p>The Council advised that the Property Team carry out a detailed review of assets every year and are closely involved in the day-to-day management of the assets. This reduces the risk of any impaired asset not being recognised within asset valuations. However there remains a risk that the value of assets may have moved materially since the last valuation if the market is subject to increased fluctuation.</p> <p>Auditor comment – if management do not carry out an assessment of assets not valued in the year there is a risk that market volatility since the asset was last valued could indicate assets are materially mis-stated. If this were the case the Council may need to have some asset valued at additional cost to the Council and also increased audit work resulting in additional fees.</p>	<p>We repeat our recommendation from 2021/22 that management complete their own detailed assessment to confirm the value of assets not covered within the revaluation programme are fairly stated.</p> <p>Management response</p> <p>The Council values its investment and surplus properties on an annual basis. For the remainder of its land and buildings it has a 5-year rolling programme of asset valuation. This complies with CIPFA’s Code of Practice. Where assets are included within the 5-year rolling programme, the Council’s valuer undertakes a desktop exercise to review every asset that is not included within that year’s valuation. If any issues are found, then the valuer undertakes a full valuation of that asset. Similarly, if any issues are identified in assets that have been valued that year, other assets in that class of assets will be valued. The Council’s valuer will investigate the benefit of and consider the use of indices as part of the desktop exercise in future years.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

We have identified 5 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	<p>Assets under construction (AuC)</p> <p>Based on work performed on Assets under Construction we have identified that the management has not carried out an annual impairment review in line with the CIPFA code of guidance of the AuC category having a substantial balance of £15m. As a consequence, although an impairment review has not been carried out, the management are confident that the asset value is not materially misstated as at 31 March 2023 based on the valuation reports received from the Mace Group.</p> <p>Auditor comment – if the Council does not undertake regular impairment reviews on Assets Under Construction there is a risk that there may be an immediate impairment when the asset comes into use. If that was the case the Council would be challenged as to why it had not identified the impairment earlier and a prior period adjustment may be required in such a case.</p>	<p>We recommend the management carry out an annual impairment review of the assets categorised under AuC category in line with the CIPFA code of guidance to ensure that values are not materially different from the actual as at year end.</p> <p>Management response</p> <p>Assets under construction are measured at historical cost in accordance with the 2022/23 CIPFA Code of Practice and the 2022/23 CIPFA Guidance Notes. Invoices for the Pioneer Place scheme are paid in accordance with the valuation reports issued by the Mace Group as cost consultants. Once assets become operational a full valuation takes place which would include an impairment review, in accordance with the Code.</p>
Medium	<p>Control deficiency identified in the year</p> <p>We performed our work on the journal entry controls and as a result identified a control deficiency where the Finance Manager has admin rights as well and can create new users in absence of main system administrator. Although the Finance Manager does have Civica system admin rights to set up new users, she cannot access Civica on behalf of another user and post journal entries or amend any transactions on another user's account. Access to Civica is linked to an individual's PC log in and can only be accessed via their PC log in. Apart from this control, there is also a log of all posted journals posted maintained by the system administrator which is reviewed periodically.</p>	<p>We recommend to limit the system admin rights to only specific individuals as to mitigate the risk of management override of controls and ultimately any material misstatement in future.</p> <p>Management response</p> <p>The Council already complies with this recommendation and has two specific individuals with system admin rights. For business continuity purposes there are two staff members with system administration rights to the Civica Financials system – the Business Development Officer and the Finance Manager. On a day-to-day basis the Business Development Officer carries out all the system administration duties with the Finance Manager only being expected to carry out these duties in the event of the long-term absence of the Business Development Officer. The Finance Manager carried out no system administration duties in the 2022/23 financial year.</p>

Controls

● High – Significant effect on financial statements

● Medium – Limited Effect on financial statements

● Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of Burnley Council's 2021/22 financial statements, which resulted in 3 recommendations being reported in our 2021/22 Audit Findings report. We have followed up on the implementation of our recommendations in the table below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
partially	<p>Valuation of Heritage Assets</p> <p>We recommended the Council values its heritage assets at sufficient intervals, no longer than 10 years, for future financial periods in line with good practice. The valuation in the 2021/22 financial statements was from 2011.</p>	<p>The Council's external valuer, Bonhams, carried out a partial valuation of the major exhibits at 31 March 2023. This resulted in a £2m increase in the total valuation, mainly oil paintings, to an overall value of £37.4m.</p> <p>We understand a full valuation was not done due to capacity issues with the valuers. We recommend the Council engage a further valuation for those assets not covered by the 2023 programme.</p>
X	<p>Assets not revalued in the year</p> <p>We raised a recommendation in 2020/21 and 2021/22 that management complete their own assessment of the value of those assets not covered as part of the rolling revaluation programme to ensure these are fairly stated.</p> <p>57% (or £30m out of £52m) of assets were not revalued as at 31/3/22.</p> <p>The Council advised that the Property Team carry out a detailed review of assets every year and are closely involved in the day-to-day management of the assets. This reduces the risk of any impaired asset not being recognised within asset valuations. However there remains a risk that the value of assets may have moved materially since the last valuation if the market is subject to increased fluctuation.</p>	<p>During 2022/23 the Council revalued 48% (or £37.7m out of £65.2m other land and buildings).</p> <p>We have followed up on the recommendation made last year and as per management response received there has been no change in the policy and the management has not made any assessment for the assets not revalued in current year.</p>
✓	<p>National Domestic Rates Appeals</p> <p>The Council did not include a provision for potential future NDR appeals due to limited new appeals submitted against the current 2017 valuation list.</p> <p>We recommended the Council make an assessment for the 2022/23 financial statements of the value of unlodged appeals following the 2023 valuation. The NDR provision should include an appropriate value for these claims.</p>	<p>We have followed up on the recommendation made last year and as per management response the appeals provision does not include an allowance for un-lodged appeals.</p> <p>In addition, the 2022/23 NNDR3 return only allows for making provision for appeals against the 2010 and 2017 rating list. It doesn't allow for any forward provision against the 2023 rating list, this can only be done from 2023/24.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

D. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
Charter Walk (CW) service charges overdrawn bank account				
To remove the CW services charges bank account and debtor balance held by CW property agents and to include a receipt advance of £517k relating to service charges for April to December 2023.			Dr 1,541	
Increase in short term deposits			Cr (517)	
Increase in creditors				
Reduction in debtors			Cr (1,024)	
Pension fund surplus				
Removal of pension fund surplus in accordance with the requirements of IFRIC 14.				
Pension asset			Cr (17,822)	
Pension reserve			Dr 17,822	
Overall impact	£0	£0	£0	£0

D. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the current year audit which have not been made within the final set of 2022/23 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Property, plant and equipment	0	Dr 464	0	0	Not material
Depreciation	Cr 464	0			
The Council did not reverse out the complete depreciation for the assets revalued in 2022/23 as per the requirement of CIPFA code of practice.					
Overall impact	£464	£464	£0	£0	

Page 167 Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure and misclassification changes	Details	Adjusted?
Note 30 Financial Instruments	The Council has amended details within the note to exclude a £2m investment included in error. The Council's maximum exposure to credit risk is revised to £16.1m (previously £18.1m) in notes 31a and table 31c.	✓
Note 27 Leases	The Council has amended details within the note to correct the analysis of the table for future minimum lease payments for 31/3/2023. The table now shows these as £67,561k (previously stated as £67,786k).	✓
Note 23 Audit fees	The Council has amended the disclosure for audit fees for a late notification of additional fee for Housing Benefits. Total fees are now £105k which agrees to the Audit Plan as set out in further detail on page 34.	✓
Note 9 Property, Plant and Equipment	We identified an asset included with Other Land and Buildings that should have been classified as an Infrastructure Asset. The Council has amended the classification with no further impact on the Balance Sheet.	✓
Reclassification of Infrastructure assets	The value of the asset is £1.4m as at 31/3/2023.	
Presentational Issues	Various minor presentational issues, including the removal of note 23 for nil Termination payments.	✓

E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee £	Final fee £
Scale fee	46,438	
Value for Money audit – new NAO requirements	9,000	
ISA 540	2,100	
Additional journals testing	3,000	
Enhanced audit procedures for Payroll – Change of circumstances	500	
Enhanced audit procedures for Collection Fund- reliefs testing	750	
Increased audit requirements of revised ISAs 315/ 240	3,000	
Total audit fees (excluding VAT)	£64,788	TBC

The fees agree to the financial statements (note 24)

Page 168

Non-audit fees for other services	Proposed fee £	Final fee £
Audit Related Services	39,503	tbc
Housing Benefit Claim		
Total non-audit fees (excluding VAT)	39,503	tbc

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Council with an unmodified audit report

Page 170

Independent auditor's report to the members of Burnley Borough Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Burnley Borough Council (the 'Authority') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the notes to the core financial statements and the notes to the collection fund statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Head of Finance and Property's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Head of Finance and Property's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Head of Finance and Property's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Head of Finance and Property with respect to going concern are described in the relevant sections of this report.

G. Audit opinion

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Head of Finance and Property is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Head of Finance and Property

As explained more fully in the Statement of Responsibilities [set out on page 17], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance and Property. The Head of Finance and Property is responsible for the preparation of the Statement of Accounts, which includes 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Head of Finance and Property determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance and Property is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

G. Audit opinion

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23. The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, the Local Government Act 1972, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012).

We enquired of senior officers and the Audit and Standards Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of senior officers, internal audit and the Audit and Standards Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and improper recognition of revenue and expenditure. We determined that the principal risks were in relation to

- management override of control, in particular journals, management estimates and transactions outside the course of business
- closing journals posted during the preparation of the financial statements.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Head of Finance and Property has in place to prevent and detect fraud;
 - journal entry testing, with a focus on the material year end transactions and manual journals posted during the year with high risk characteristics
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and the defined benefit pension fund net liability valuation
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and the defined pension fund net liability valuation. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

G. Audit opinion

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

G. Audit opinion

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Burnley Borough Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2023.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Georgia Jones, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Liverpool

Date:

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Burnley.gov.uk

**Annual
Governance
Statement
2022/23**

CONTENTS

	Page
INTRODUCTION	
<hr/>	
SCOPE AND RESPONSIBILITY	3
<hr/>	
PURPOSE OF THE GOVERNANCE FRAMEWORK	3
<hr/>	
THE GOVERNANCE FRAMEWORK	4
<hr/>	
EFFECTIVENESS OF GOVERNANCE FRAMEWORK	
<hr/>	
REVIEW OF EFFECTIVENESS	8
<hr/>	
FUTURE CHALLENGES	9
<hr/>	
ACTION TAKEN TO ADDRESS PREVIOUS ISSUES	9
<hr/>	
CERTIFICATION	10

INTRODUCTION

1. SCOPE AND RESPONSIBILITY

- 1.1 Burnley Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Burnley Borough Council has also a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Burnley Borough Council is responsible for putting in place proper arrangements for the governance of its affairs; facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Burnley Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA¹/SOLACE² Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at:

[Part 5.8 Local Code for Corporate Governance 2019 LP251119.pdf \(moderngov.co.uk\)](#)

Or can be obtained from:

Legal & Democratic Services
Burnley Borough Council
Town Hall
Manchester Road
Burnley
BB11 9SA.

- 1.4 This statement explains how Burnley Borough Council has complied with the Code and also meets the requirements of regulation 6(1)[a] of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The Governance Framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with, and leads its communities. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

¹ Chartered Institute of Public Finance and Accountancy

² Society of Local Authority Chief Executives

- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Burnley Borough Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The Governance Framework has been in place at Burnley Borough Council for the year ended 31st March 2023 and up to the date of approval of the Annual Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

- 3.1 The key elements of the Council's governance arrangements are outlined in the Local Code of Corporate Governance. Some of these features of the Governance Framework are explained in the following paragraphs.
- 3.2 The **Strategic Plan** sets out the contribution we will make to enabling communities in Burnley to thrive now and in the future. The Strategic Plan is linked to the revenue and capital budget, ensuring that the aspirations in the plan are realistic in the context of the funding constraints placed on the Council. The Strategic Plan is reviewed on an annual basis. The review takes account of **feedback** from surveys conducted with the public in Burnley.
- 3.3 Delivery of the Strategic Plan is supported by **Service Plans** and individual's **Performance Development Reviews**. These include competencies, targets and, where appropriate, service standards against which service quality and improvement can be measured. Officers attend staff conferences and participate in job chats amongst other means to keep informed of organisational and service development.
- 3.4 Burnley Borough Council's **Constitution** sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. It establishes the roles and responsibilities for members of the Executive, Regulatory and Standards Committees, together with officer functions. It includes the Scheme of Delegation, codes of conduct and protocols for member/officer relations. The Constitution is regularly reviewed to ensure that it continues to be fit for purpose.
- 3.5 The Constitution also contains **procedure rules** including Standing Orders for Contracts and Financial Procedure Rules that define how decisions are taken and where authority rests for decision making. The **statutory roles** of Head of Paid Service, Chief Financial Officer and Monitoring Officer are described together with their contributions to provide robust assurance on governance and that expenditure is lawful and in line with approved budgets and procedures. The influence and oversight exerted by the Head of

Paid Service (the Chief Executive) and the Chief Financial Officer (Head of Finance and Property) is backed by the post-holders' membership of the Management Team.

- 3.6 The **Chief Financial Officer** (CFO) has responsibility for the proper administration of the Council's financial affairs. This includes responsibility for maintaining and reviewing Financial Procedure Rules to ensure they remain fit for purpose and submitting amendments to Full Council for approval. The Chief Financial Officer is also responsible for reporting, where appropriate, breaches of the Rules to the Executive and/or the Full Council. The Chief Financial Officer reports directly to the Chief Operating Officer.
- 3.7 The role of the CFO has been defined by CIPFA in its document titled, 'The Role of the Chief Financial Officer, in Local Government.' The Council's financial management arrangements conform to these governance requirements, and this is explained in the constitution.
- 3.8 The Head of Finance and Property fulfils the role of **Head of Internal Audit**. This includes championing best practice and assessing adequacy in governance, management, and risk, providing an opinion on these aspects, and leading an effective Internal Audit service. This changed during the year to the Internal Audit Manager being the Head of Internal Audit to improve the independence of the service.
- 3.9 The **Full Council** and the **Executive** are the decision-making bodies of the Council. **Regulatory Committees** including Development Control and Licensing Committees undertake decisions delegated to it under the Constitution. The Council's **Scrutiny Committee** works to improve service delivery and to review the Executive decisions. The **Audit and Standards Committee** oversees the review of the Council's audit and governance arrangements and the production of this statement.
- 3.10 In recognition of the exposure to fraud, the Council has adopted an **Anti-Fraud Bribery and Corruption Policy** which is part of the Constitution. This is relevant to all members, officers and its partners. Fraud risks are considered as part of strategic and service risk management. Fraud awareness training is made available to further raise awareness of the matter.
- 3.11 To complement the anti-fraud policy, Council has a **complaints procedure** and a **whistle-blowing policy** that is maintained and regularly reviewed, which provide the opportunity for members of the public and staff to raise concerns when they believe that appropriate standards have not been met. The **Audit and Standards Committee** is responsible for overseeing the investigation of complaints against members and promotion and maintenance of high standards of conduct in the authority.
- 3.12 The Council has an embedded **risk management** function. The Risk Management Policy and Strategy are reviewed regularly. The Risk Management Group draws together risk issues from across the authority to ensure that issues and concerns are shared and that a consistent approach is adopted throughout the organisation.

- 3.13 **The Data Protection Act 2018 (UK General Data Protection Regulation GDPR)** came into force in 2018. It is recognised that the data protection requirements present a significant risk to the Council, however controls and measures are in place. While significant, the risk is considered acceptable at this time.
- 3.14 **Training** needs of members and officers are identified through appraisal and review processes. Appropriate training is made available to staff to ensure that individuals are able to undertake their present role effectively and that they have the opportunity to develop to meet their and the Council's needs. All newly elected members undertake an induction programme so that they can make an effective contribution to the work of the authority. Specific committee training is given to members so that they may discharge their responsibilities more effectively along with general member development training such as on finance and conduct. The Council is committed to continue to embed best practice within our organisational development and Health and Wellbeing work.
- 3.15 The Council is committed to **partnership** working. The Strategic Partnerships with Urbaser, Liberata and Burnley Leisure will ensure that vital services will continue to be delivered in these financially challenging times. The **Burnley Bondholders** work to promote Burnley in the region and wider area.
- 3.16 Barnfield and Burnley (Developments) Limited is a company with directors and ownership shared between the Council and Barnfield Investments Properties Ltd. The Council is represented by the Chief Executive Officer and Council Leader. The Council has a clause in the members Code of Conduct addressing the expectations of members in this role and this is addressed in Employee's Code of Conduct as well.

Community Responses

- 3.17 The Council declared a climate emergency in 2019 and has since committed to making the authority carbon neutral by 2030. It set out its Climate Change Strategy in 2021/22 and has started to implement the commitments it made.
- 3.18 The Council has been responding to the cost-of-living crisis with energy grants and household support fund.
- 3.19 The Council has closed its Community Recovery Strategy in response to the Covid 19 emergency.
- 3.20 The organisation has maintained a hybrid home working arrangements for applicable staff. Services that were closed have been reopened in line with the removal of guidelines covering living with Covid.
- 3.21 Committee meetings and other meetings have returned to face-to-face arrangements.

3.22 The main areas of the Council's Governance Framework, and key evidence of delivery, are set out next, under the headings of the seven **CIPFA/SOLACE Core Principles of Good Governance**.

BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES AND RESPECTING THE RULE OF THE LAW.

- Codes of Conduct exist for both officers and members.
- Statutory Officers are in post:
 - the Chief Executive as Head of Paid Service,
 - Chief Operating Officer as the Monitoring Officer
 - the Head of Finance and Property as the Chief Financial Officer (Section 151 Officer).
- The Constitution and Scheme of Delegation define the roles and responsibilities of officers and members and sets out the rules on how the Council conducts its business.
- TEAM values are in place.

ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT.

- Council meetings are conducted in public; decisions have been properly recorded and are in the public domain.
- Public consultations have been conducted:
 - Licensing Policy
 - Supplementary Planning Documents (SPD):
 - Planning for Health SPD (adopted)
 - Residential Extensions SPD (adopted)
- Partnership boards for the strategic partners:
 - Liberata
 - Urbaser

DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS.

- The Strategic Plan is in place and is underpinned by Service Plans.
- The Climate Change Strategy is in place.
- Balanced Scorecards are used to monitor the achievement of stated outcomes.
- The Council makes best use of resources by always considering options for the way services are delivered.

DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF INTENDED OUTCOMES.

- Balanced Scorecards exist to monitor progress on intended outcomes.
- Decision makers receive analysis of options to achieve intended outcomes. This includes risk analysis associated with making key decisions.
- The Council is continually reviewing how services are provided.

DEVELOPING THE ENTITY'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT.

- Member training programmes are in place. Training during 2022/23 included several finance related training events.
- Officer training is identified during Performance Development Reviews which is linked to the Service Plan.
- New officers receive corporate and service unit induction. Training is also provided to new members.
- Arrangements are in place to maintain the health and wellbeing of the workforce.
- There are regular meetings between the Chief Executive and the Leader of the Council. Similar meetings take place between Heads of Service and Executive Members.

MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG FINANCIAL MANAGEMENT.

- There is a risk management framework in place that identifies and reports risk and how it is managed.
- The system on Internal Control is reviewed on an on-going basis by Internal Audit.
- The Head of Finance and Property Services is responsible for the financial management of the Council and is the Chief Financial Officer (Section 151 Officer).
- Robust budget monitoring arrangements for both capital and revenue with budget reporting to management team and members.
- The Council has an appropriate anti-fraud and corruption culture.

IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY.

- Information on the decision-making process is readily available to all stakeholders.
- Internal Audit will review the internal control framework on an on-going basis, particularly the key financial systems.
- Internal Audit have provided an objective opinion on the internal control framework that was in place for 2022-23.
- The Peer Review for Internal Audit's compliance with PSIAS (Public Sector Internal Audit Standards) reported partial compliance for the Internal Audit service.
- External Audit (Grant Thornton) will review the arrangements that the Council has in place to secure value for money. This will also provide an opinion on the accuracy and completeness of the Statement of Accounts.

THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

4. REVIEW OF EFFECTIVENESS

- 4.1 Burnley Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework, including the system of internal control. The review of effectiveness is informed by the work of the Management Team, who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and the findings and reports issued by the external auditors.
- 4.2 Burnley Borough Council's Internal Audit section, via specific responsibility assigned to the Head of Internal Audit, is required to provide an annual independent and objective opinion to the Authority on its risk management, governance and control environment. The Head of Internal Audit's report for 2022/23 concluded that the Council's internal controls continue to operate effectively.
- 4.3 The review of compliance with the Governance Framework has involved:
- Heads of Service and key officers (Chief Financial Officer, Monitoring Officer and Health & Safety Officer) providing signed Assurance Statements to Management Team. These have been supported by a control and risk self-assessment questionnaire and were collated by Internal Auditors. Management Team considered these statements and the signed Assurance Statement from the Chief Operating Officer.
 - Liberata providing a signed Assurance Statement to the Chief Operating Officer.
 - Executive Members and Chair of Scrutiny completing a self-assessment questionnaire and provided a signed Assurance Statement to the Leader of the Council and Chief Executive.
 - Internal Audit completing a review of the corporate documents and evidence for the key elements of Governance and Internal Control. The Internal Audit Opinion is included as part of the consideration, as are external audit reports etc.
 - A draft of the Annual Governance Statement is prepared and provided to Management Team.
 - An Annual Governance Statement is then provided to the Chief Executive and Leader to sign.
 - Work is currently ongoing with the Financial Management Code.
- 4.4 Governance arrangements continue to be regarded as fit for purpose in accordance with the Governance Framework. The review process has highlighted no significant issues.

5. FUTURE CHALLENGES

- 5.1 Burnley Borough Council has recognised current and future financial challenges in its strategic risk register and medium-term financial strategy. The authority will continue to

meet these challenges as it has done in the past; taking steps to manage this by considering modernisation and rationalisation.

- 5.2 Burnley Borough Council is continuing to deal with and respond to the issues arising from the cost-of-living crisis. This includes involvement with the economic recovery in the local community and dealing with the financial impact of increased fuel and food costs.

6. ACTION TAKEN TO ADDRESS PREVIOUS ISSUES

- 6.1 No significant issues had been identified on the previous (2021/22) governance statement.

7. CERTIFICATION

- 7.1 The Council has governance procedures that contain comprehensive systems, cultures and values by which it is controlled, and through which it engages with the community in a timely, inclusive, open, honest and accountable manner.

Signed: **Signed:**

Leader of the Council

Chief Executive

Date: _____

Date: _____

Auditor's Annual Report on Burnley Borough Council

2022/23

page 187

November 2023

Contents



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

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



Section	Page
Executive summary	3
Use of auditor's powers	5
Securing economy, efficiency and effectiveness in its use of resources	6
The current LG landscape	7
Financial sustainability	8
Improvement recommendations	12
Governance	16
Improvement recommendations	19
Improving economy, efficiency and effectiveness	21
Improvement recommendations	23
Follow-up of previous recommendations	25
Opinion on the financial statements	27
Other reporting requirements	29
Appendices	
Appendix A – Responsibilities of the Council	31
Appendix B – An explanatory note on recommendations	32

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

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Executive summary



Value for money arrangements and key recommendation(s)

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

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

Page 189

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	Risk identified because of the potential medium term cumulative funding gap of £2.1m over the 2027/28 period.	A No significant weaknesses in arrangements have been identified, but 4 improvement recommendations made.	A No significant weaknesses in arrangements have been identified, but improvement recommendation remains.	↔
Governance	No risks of significant weakness identified	A No significant weaknesses in arrangements have been identified, but 2 improvement recommendation remain.	A No significant weaknesses in arrangements have been identified, but 3 improvement recommendations made.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	A No significant weaknesses in arrangements have been identified, but 2 improvement recommendation remains.	A No significant weaknesses in arrangements have been identified, but 5 improvement recommendations made.	↔

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

Executive summary (continued)



Financial sustainability

Although it has continued to be an extraordinary year for Local Authority finances, with the impact of inflationary pressures felt throughout, the Council has continued to perform strongly in terms of its financial planning. While there is still a possibility of further cost pressures, the Council has set aside sufficient contingencies to cover any current in year cost pressures.

There is still much uncertainty around the medium-term funding and cost position of the Council, but they have a well-built plan in place. However due to the uncertainty around future funding and cost pressures. See pages 12 to 15 for more detail.

Page 190



Governance

The Council continues to have good arrangements around governance, particular in relation to the annual budget setting process, budgetary control, committee effectiveness and arrangements for risk management. We have carried forward two of our 2021/22 AAR recommendations, due to previously agreed actions that are outstanding as at the date of this report. See pages 19 and 20 for more detail.



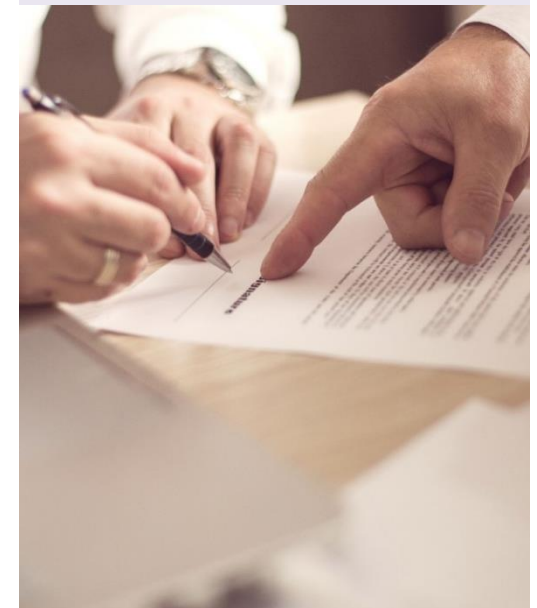
Improving economy, efficiency and effectiveness

The Council continues to have good processes around performance monitoring, partnership working and the commissioning and procurement of goods and services. We have identified two improvement recommendations, both carried forward from our 2021/22 AAR. See pages 23 and 24 for more detail.



Financial Statements opinion

We have completed our audit of your financial statements. Subject to final quality procedures we intend to issue an unqualified audit opinion. Our findings are set out in further detail on pages 27 to 29.



Use of auditor's powers

We bring the following matters to your attention:

2022/23

Statutory recommendations

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

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

Public Interest Report

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

We did not issue a public interest report.

Application to the Court

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

We did not make an application to the Court.

Advisory notice

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

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

We did not issue any advisory notices.

Judicial review

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

We did not make an application for judicial review.

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

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

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

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

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



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

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

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 8 to 24.

The current LG landscape



National context

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

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

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

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

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

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

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

Financial sustainability



We considered how the Council:

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

Page 194.

Short and medium term financial planning

2022/23 finance performance

The public sector has faced another financially challenging year with the country facing an ongoing cost of living crisis. Despite the uncertain and challenging climate, the Council has shown good financial management by delivering a net underspend of £61,000 against budget.

The Council received additional funding during the year, which meant available revenue resources as at 31 March 2023 were £17.486m, up from the approved revenue resources of £15.321m in the 2022/23 budget. This increase was primarily due to additional grants received as compensation from the Government for lost income resulting from additional Business Rate Reliefs provided to businesses within the borough during the year. This has enabled the Council to transfer £2.428m to earmarked reserves. Which puts the Total General Fund Balance at £26.862m as at 31st March 2023.

2023/24 budget

In February 2023, the Council approved a balanced budget for the financial year 2023/24. This was presented alongside its Medium Term Financial Strategy (MTFS) 2023/24 to 2027/28. There was internal and external engagement throughout the budget setting process with options being presented to the Executive in September 2022.

Scenario planning was utilised when developing the budget and the medium-term financial strategy. This helps set out the potential implications of any fluctuations in assumptions presented. Key assumptions over the medium term include core spending power to increase by 4.4% in 2024/25 before reducing by 2% from 2025/26 onwards, inflation is assumed at 2-5% dependent on contractual terms and pay awards are assumed to be 5% in 2023/24 before reducing to 3% from 2024/25 onwards .

We consider the assumptions that drive the 2023/24 budget and the MTFS to be prudent at the time of drafting. A number of these assumptions are now outdated (such as the recently announced pay award) and as such need to be updated in the latest refresh of the MTFS. This was a potential risk that was highlighted by the Council within their 2023/24 to 2027/28 MTFS.

Medium term position

A cumulative budget gap of £1.5m (equivalent to 9.8% of 2022/23 net revenue budget) was forecasted for the years 2024/25 to 2026/27 within the February 2023 MTFS.

The latest position and savings proposals paper that went to committee in September 2023 has forecasted that the cumulative budget gap has reduced by £0.5m to £1m (6.1% of 2022/23 net revenue budget). This is mainly due to the anticipation of additional funding from central government, which will reverse the Council's assumption of a 2% reduction in Core Spending Power. However, it needs to be highlighted that there remains significant uncertainty around future finance settlements as the government is yet to provide a multi-year spending review. This uncertainty may be exacerbated by the general election in 2024/25.

Of this £1m cumulative gap, the Council has identified £0.278m of savings to be delivered over the period of the MTFS (discussed on page 9).

The Council is currently undertaking a review of its service contract with Liberata at year seven of the ten-year contract, before renewal or extension takes place. This is good practice, but it does also highlight there are potential future additional costs for the Council depending on the outcome of this process, due to possible increases in the cost-of-service delivery. We recommend that the potential additional costs that could arise are built into the next iteration of the MTFS, where commercially possible.

Improvement recommendation

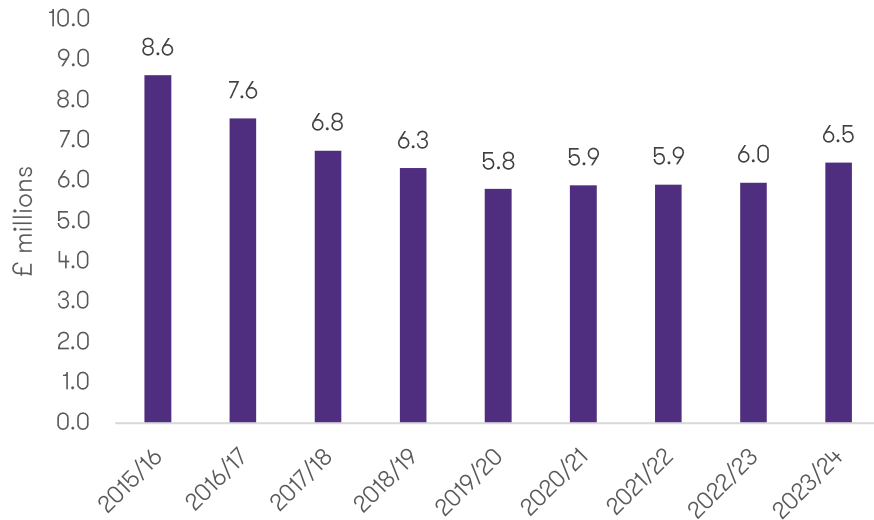
The Council should update its MTFS to include the potential financial implications of a change in service delivery partner over the medium term to reflect the change in assumptions.

Financial sustainability (continued)

As part of our 2021/22 Annual Audit Report (AAR) we made a recommendation that the Council closely monitor the delivery of its savings and cost reduction plans as part of its MTFS strategic objectives.

While we acknowledge that the Council has sufficient reserves (discussed on page 10) to cover the currently projected budget gap, there remains uncertainty around future finance settlements and cost drivers which could lead to the gap increasing over the medium term. As shown in the graph below, the Council’s settlement has decreased by 24% from 2015/16 to 2023/24.

Burnley Borough Council Local Government Finance Settlement 2015/16 to 2023/24 (£m’s)



Source: Local Government Finance Settlement 2023/24, House of Commons Library

This coupled with the unidentified savings to bridge the currently forecasted cumulative funding gap means that we have carried forward our recommendation from 2021/22 to 2022/23.

Improvement recommendation (carried forward from 2021/22)

The Council needs to identify savings to bridge the forecasted cumulative funding gap as a priority. They should also continue to closely monitor the delivery of their already identified savings and cost reduction plans as part of the achievement of its Medium Term Financial Strategy (MTFS) and strategic objectives

Savings

The latest position and savings proposals paper that went to committee in September 2023 highlighted that the Council has identified £0.278m of savings so far to bridge the £1m cumulative budget gap:

MTFS	24/25 £'000	25/26 £'000	26/27 £'000	Total £000
Budget gap	370	475	145	990
Savings identified	252	18	8	278
Remaining budget gap	118	457	137	712

The Council has a good history of developing and delivering saving proposals, with over £28m of savings delivered between 2010 to 2023. We are also satisfied that there are sufficient arrangements in place for the monitoring saving plans.

As at quarter 1 2023, the Council has indicated that it might not achieve its 2023/24 saving targets of £0.248m due to current economic conditions and has reported a possible overspend position of £0.243m. This further supports our recommendation that the Council should continue to closely monitor the delivery of savings plan over the medium term.

Financial sustainability (continued)

Managing risks to financial resilience (Reserves)

The Council has a Reserves Strategy which is revisited on an annual basis and is presented as an appendix to the Medium-Term Financial Strategy (MTFS), to further support decision making. As at March 2023, the Council's reserves were £26.862m, with their general reserves totaling £1.379m. The level of general reserves to be held is set within the reserves strategy and is based on an assessment of the volatility and risk that the Council faces. This reserve is held as a "last resort" to be utilised when all other reserves have been used up or for unknown risks that may occur.

The Council has also set aside several earmarked reserves to support potential volatility such as the revenue support reserve (£2.900m), energy markets volatility reserve (£0.260m) and a Cost of Living Crisis Reserve (£0.616m).

We are satisfied that the Council has planned the use of its reserves over the medium term and has contingencies in place for any short term budget volatility.

Financial planning and other operational plans

The Council has several other key strategies that support financial planning and their strategic operations. These documents include the treasury management statement, which is refreshed annually alongside its Prudential Treasury indicators and the Council's Capital Plans. These plans are underpinned by the Council's Strategic Plan (discussed on page 21) which ensures that the Council prepare their budgets and allocate their finances in a way that is aligned with their key priorities.

The Council has a Climate Change Strategy, Action Plan and a Carbon Budget Report that have been updated in 2022/23. The Climate Change Strategy was originally published in February 2022 and set out seven priority themes to direct the Council's work around climate change and delivering a Net Zero agenda. These priorities are supported by an Action plan that sets out specific tasks and work programmes to support the delivery of the Climate Change Strategy. The Council has also developed a Carbon Budget Report to ensure they record and monitor carbon emissions. Whilst these are good strategies that support the Council in delivering their climate change responsibilities, the cost of delivering these actions have not yet been built into financial plans. This includes actions such as transitioning to an electric fleet, moving to renewable energy for utilities and carbon reduction actions for Council buildings.

Improvement recommendation (carried forward from 2021/22)

The Council should calculate the estimated costs of delivering their Climate Change Strategy and build them into the MTFS.

Capital plans

The Council originally approved a capital expenditure budget of £37.805m for the financial year 2022/23. This was revised to £20.226m in quarter 3 due to the reprofiling of capital expenditure on major projects (such as Pioneer Place and other Levelling Up Fund projects). Following this revision to the capital expenditure budget, additional resources of £3.589m were made available which increased the final capital expenditure budget to £23.816m at the end of quarter 4. The Council's final outturn against this budget was a £21.810m (92%) in 2022/23.

The Council approved a capital budget of £41.357m for 2023/24 in February 2023. The quarter 1 monitoring report for 2023/24 has reported a reduced capital budget of £39.125m due to the reprofiling of expenditure into 2024/25 due to waiting on specific areas of funding.

In our prior year AAR we recommended that the Council should examine any significant re-profiling of capital schemes to ensure these do not impact the delivery of its strategic objectives. Based on the size of the 2023/24 capital programme and the slippage already reported in quarter 1, we have carried forward this recommendation.

Improvement recommendation (carried forward from 2021/22)

The Council should examine any significant re-profiling of capital schemes to ensure these do not impact the delivery of its strategic objectives. It should ensure its Capital Investment programme is drawn up on a realistic basis for delivery in each financial year.


Financial sustainability (continued)

Conclusion

Although it has continued to be an extraordinary year for Local Authority finances, with the impact of inflationary pressures felt throughout, the Council has continued to perform well in terms of its financial planning. While there is still a possibility of further cost pressures, the Council has set aside sufficient contingencies to cover any current in year cost pressures.

There is still much uncertainty around the medium-term funding and cost position of the Council, but there is a plan in place. We do highlight that there is still a potential risk in relation to saving targets not being met or having the desired outcome due to current economic conditions and as such we have carried forward our recommendation from 2021/22 into 2022/23.

Improvement recommendations

Improvement Recommendation 1	<p>The Council should update its Medium Term Financial Strategy to include the potential financial implications of a change in service delivery partner over the medium term. This update should take place when commercially possible.</p>
Improvement opportunity identified	<p>The Council is in the process of reviewing its service contracts before renewal or extension takes place. Currently financial plans don't reflect the potential impact of change in service delivery and as such, the currently projected budget gap may be better or worse based on the outcome of this review.</p>
Summary findings	<p>The Council has identified a £1m cumulative budget gap between 2024/25 to 2026/27 in their latest MTFS update in September 2023. The Council is in the process of reviewing their service delivery contracts, the impact of review has not been built into the current iteration of the MTFS.</p>
Criteria impacted	<p> Financial sustainability</p>
Auditor judgement	<p>Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.</p>
Management comments	<p>The Council is currently in the process of reviewing the cost implications of a change in service delivery partner/extension to the contract of the current service delivery partner. Discussions are currently taking place on the cost implications of extending the services. It is anticipated that this review will conclude before the end of the current financial year at which point the MTFS will be updated. The MTFS is reported bi-annually to Committee in September and February.</p>

Improvement recommendations

Improvement Recommendation 2

The Council needs to identify savings to bridge the forecasted cumulative funding gap as a priority. They should also continue to closely monitor the delivery of their already identified savings and cost reduction plans as part of the achievement of its Medium Term Financial Strategy (MTFS) and strategic objectives

Improvement opportunity identified

The Council faces future financial pressures from high inflation, sector pressures and the ongoing cost of living crisis. The MTFS 2024/25 to 2026/27 indicates a cumulative £1m funding gap over the 4 year period to 2027/28.

Failure to achieve savings or cost reductions will potentially put at the risk the deliverability of the Council's budget and have a wider impact on the longer term achievement of its strategic objectives.

Summary findings

The Council reported an overall revenue breakeven outturn for 2022/23. General Fund reserves, including earmarked reserves, are £26.862m as at 31 March 2023. The cumulative gap from 2024/25 to 2026/27 is forecasted at £1m as at September 2023, with the Council needing to identify £0.712m of savings.

Criteria impacted



Financial sustainability

Auditor judgement

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

Management comments

The Council has a strong track record of being proactive in the identification of savings and has a well established annual savings identification process in place.

The Council includes a paragraph in its quarterly revenue monitoring reports on progress towards achieving the savings declared when setting the budgets for the financial year. It continues to closely monitor key areas of risk to ensure that any potential budgetary issues can be identified early, and mitigations put in place to deal with these. The MTFS is regularly reviewed and updated to ensure decisions are made that reflect the Council's current financial position.

Improvement recommendations

Improvement Recommendation 3

The Council should calculate the estimated costs of delivering their Climate Change Strategy and build them into the MTFS.

Improvement opportunity identified

The Council is working on initiatives to achieve their Net Zero targets, but they haven't incorporated the financial implications and overall cost into their financial plans yet. This lack of financial planning poses a risk that some of the initiatives may not be feasible due to budget limitations, potentially resulting in the Council being unable to achieve their Net Zero targets.

Summary findings

The Council has a Climate Change Strategy, Action Plan and a Carbon Budget Report that have been updated in 2022/23. Whilst these strategies and documents offer guidance and a direction of travel for delivering the Council's Net Zero ambitions, they currently lack any analysis around the financial implications for delivering Net Zero.

Criteria impacted



Financial sustainability

Auditor judgement

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

Management comments

The Council has an approved carbon reduction capital budget of £280k in its 2023/24 capital programme. This is being utilised to provide for some carbon reduction measures, such as voltage optimisation, led retrofits and survey works to assess the cost of works required to meet the Council's objectives under the Climate Change Strategy. A budget for ongoing climate change initiatives has been built in to the 2024/25 revenue budget, which will be kept under review. An assessment of 'one off' items of expenditure will be carried out based on the Climate Change Strategy and be built into the MTFS accordingly.

Improvement recommendations

Improvement Recommendation 4

The Council should closely monitor capital scheme slippage against the Capital Investment Plan to ensure this is being effectively managed to meet the Council's overall strategic objectives.

Improvement opportunity identified

The Council's capital expenditure and financing programme aligns with the delivery of Council services and wider strategic priorities. Any slippage on the planned investment in capital schemes may therefore have an impact on the Council delivering against its Strategy.


Page 201

Summary findings

The Council originally approved a capital expenditure budget of £37.805m in 2022/23. This was revised to £20.226m in quarter 3. Following the revised budget, additional resources of £3.589m were made available to reflect a final resource position of £23.816m for capital expenditure at quarter 4. The Council's final expenditure outturn against this position was a £21.810m (92%) in 2022/23.

A capital budget of £41.357m for 2023/24 was approved by the Council in February 2023. The quarter 1 monitoring report for 2023/24 has reported a revised capital budget of £39.125m due to the reprofiling of expenditure into 2024/25.

Criteria impacted

 Financial sustainability

Auditor judgement

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

Management comments

The Council's CIP is approved each year by Full Council at their meeting in February. The CIP is developed in line with the Council's strategic objectives. Progress against the CIP is reported in the quarterly monitoring reports along with requests for approval of budget adjustments/slippage etc. Where slippage is requested, a narrative update is provided to Members detailing the reason for the request. This ensures that where schemes take place over multiple financial years are adjusted for as soon as the the project manager becomes aware of any reprofiling of budget requirements.

Governance



We considered how the Council:

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

Risk management and internal controls

Monitoring and assessing risk

There are clear levels of responsibility in place at the Council for the management of risk with each Head of Service tasked with identifying, analysing and managing the risks in their area. There are also clear processes for the recording and monitoring of risks.

The Council's approach to risk management is underpinned by the documented Risk Management Method (RMM). This document sets out the Council's approach to identifying and managing risk. The Council maintains a strategic risk register (SRR) which is monitored by the Risk Management Group. Any changes to the SRR are reported to the management team, taken to Audit and Standards Committee (A&S) and then approved by the Executive, to ensure proper scrutiny and challenge.

In our 2020/21 and 2021/22 annual reports, we recommended that the RMM was last produced in August 2019 and would benefit from a refresh to ensure it provides an up to date framework to promote effective decision making and encourage innovation. The Council has reviewed and made updates to the RMM in 2022/23 in response to our recommendation, however there are further improvements that could be made in relation to the strategic risk register (SRR). The SRR could further add value and assurance to the risk processes in the Council, if it was updated to include a direction of travel of each risk from the previous update and a section for each risk that sets out the assurances the Council have put in place to mitigate the risk.

Improvement recommendation (carried forward from 2021/22)

The Council should revisit its Risk Management method (RMM) on a regular basis to ensure this is up to date and helps it to achieve its vision, ambitions, and priorities.

Internal audit

Internal audit has reported on a regular basis to A&S throughout 2022/23. They have issued 18 reports in 2022/23 against an original plan of 26, with the audit plan needing to be altered due to a lack of resource in 2022/23. Of the 8 remaining reports 6 have been started.

This work resulted in the Head of Internal Audit Opinion concluding that the Council's internal controls were operating effectively.

These controls include compliance with policy, separation of duties, authorisation, monitoring and internal checks.

As reported in last year's AAR, an external peer review on the Council's compliance with Public Sector IA Standards (PSIAS) was completed in 2022. It is recommended that this type of review should be completed once every 5 years to provide an independent assessment of the performance of the Internal Audit Service. The 2022 review was delivered by two of the Lancashire Local Authorities Heads of Internal Audit. The assessment was reported to A&S in March 2023 and concluded the Council were partially compliant with the PSIAS requirements with 21 points raised for consideration impacting on 12 points of the standards.

The significant observations made in the report within the overall opinion were:

- The s151 officer role as Chief Audit Executive blurs the independence of Internal Audit
- Insufficient coverage of the whole Authority during 2021-22 to support the Annual Internal Audit Opinion
- Little or no reference to current risks within audit engagements
- 15 points for consideration in the services' QAIP (Quality Assurance and Improvement programme).

Governance (continued)

It was also noted that the Council had not comprehensively addressed many of the issues identified as part of the 2017 Peer review on independence, the QAIP and audit engagements.

Internal Audit has set out detailed responses to the issues included in the PSIAS report as agreed with the Council's management team. These actions will be included in the Council's Internal Audit's Quality Assurance and Improvement programme (QAIP).

Since we last reported, there has been progress against the recommendations made with an action plan being presented in September 2023. The plan includes a responsible individual for each action, but does not include a target date for delivery. Whilst progress has been made, there are several key outstanding areas that have not been addressed. Consequently, we have carried through our improvement recommendation from 2021/22 to 2022/23.

Page 203 Improvement recommendation (carried forward from 2021/22)

The Council should continue to closely monitor the delivery of the PSIAS action plan to ensure the areas for improvement are progressed in a timely manner and all areas are addressed.

Informed decision making including the Audit and Standards Committee

The Council's Constitution describes the detailed arrangements for how it operates, makes decisions, and follows procedures. It helps to ensure effective and transparent decision making. The Constitution is regularly updated, with notable developments this year including the publication of the Council's procurement strategy.

The Constitution specifies the decision-making structures and accountability arrangements that govern how the Council's committees operate. The Full Council and Executive serve as the primary decision-making bodies of the Council, with regulatory committees delegated to make decisions under the Constitution. The Council's Scrutiny Committee is responsible for reviewing decisions made by the Executive and works towards improving service delivery.

The A&S committee (A&S) continues to provide appropriate challenge and scrutiny in the execution of its work programme. As part of last years AAR we recommended that the A&S complete its self assessment against the new CIPFA Audit Committee position statement to establish if there are any gaps in their practices which could impact the effectiveness of the Committee. The Council has begun this process, with an assessment of members knowledge and understanding being undertaken as at September 2023.

Annual budget setting

The Council follows a comprehensive process to develop its annual budget and Medium Term Financial Strategy (MTFS). The process involves several stages, with senior officers regularly updating assumptions and funding estimates based on the most recently available information. Throughout the process, adjustments are made to the budget gap as savings proposals are developed and approved, and as cost drivers and spending pressures are assessed.

The MTFS documents the risks that have been considered for the current and future years. These risks help to inform the annual budget setting process. Some examples of these risks include:

Ability to maintain a balanced budget over the medium-term	Business rate volatility including appeals
Partnership performance – achievement of planned savings and delivery of these savings on time	Reserves - potential impact on reserves position, if they are required to support the delivery of a balanced budget over the medium-term.
Pay – 3% in Strategy but pressure for higher settlements may develop in the future	Cost of living crisis – Uncertainty around the impact of the cost of living crisis on income and expenditure streams in future years

We have reviewed the risks disclosed around both the 2023/24 budget and MTFS and we are satisfied that there are no obvious omissions at the time of drafting.

The Council acknowledges the challenges of accurately forecasting funding estimates and includes different scenarios in its MTFS to mitigate the risk of making fixed assumptions. The approach to preparing an MTFS based on multiple scenarios is considered best practice and can help to identify potential funding gaps based on different assumptions and Core Spending Power reductions.

Governance (continued)

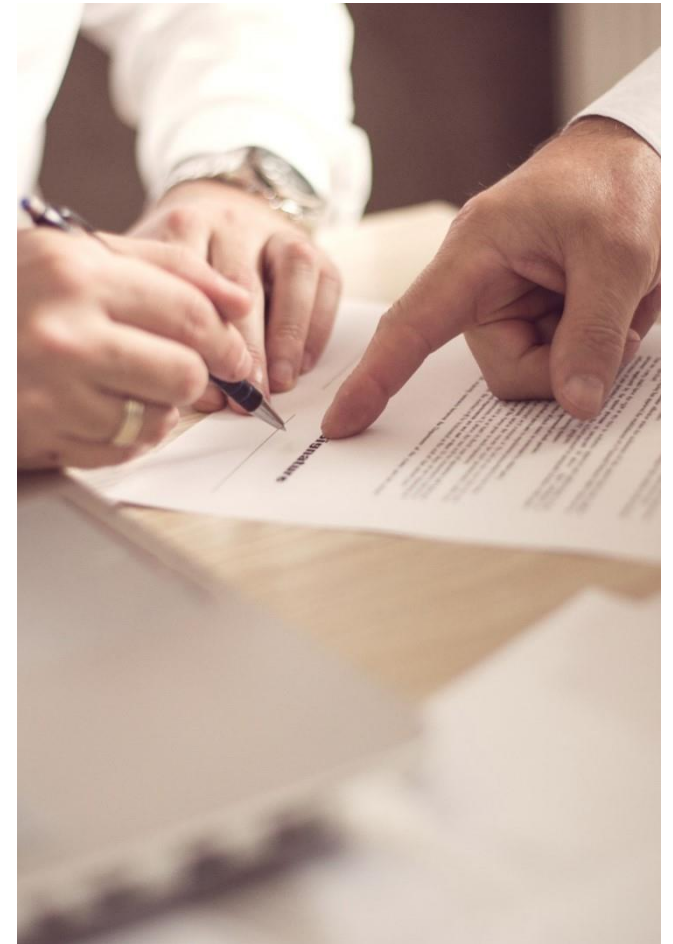
Budgetary control

The Council continues to have effective processes in place for budget monitoring and reporting. The Council follows a delegated financial management system whereby budgets are assigned to service units after approval of the annual budget. Each Head of Service is delegated responsibility to monitor and maintain budgetary control for their area of responsibility, to achieve any agreed efficiency plans, and to follow financial procedure rules.

Budget holders undertake monthly budget reviews and report on any movements and savings identified. Any adverse variances are discussed with finance business partners and actions put in place to resolve these. The budget reports (capital and revenue) are reported on a service unit basis to the Executive. Quarterly revenue (and capital) budget monitoring reports are taken to full Council meetings and provide an update on the forecast budget outturn with detailed commentary for each different service area and function of the Council. In case of underperformance against the budget, corrective action plans must be put in place to keep the budget on track by the end of the financial year. Any service underspend at the end of the financial year is used to contribute towards corporate priorities; general carry forward of underspends by services is not permitted. Requests for specific service commitments to be rolled into the following financial year are considered on an exception basis.

Conclusion

We are satisfied that the Council continues to have good arrangements around governance, particular in relation to the annual budget setting process, budgetary control, committee effectiveness and arrangements for risk management. We have carried forward one of our 2021/22 AAR recommendations, due to previously agreed actions that are outstanding as at the date of this report.



Improvement recommendations

Improvement Recommendation 5

The Council should revisit its Risk Management method (RMM) on a regular basis to ensure this is up to date and helps it to achieve its vision, ambitions, and priorities.

Improvement opportunity identified

Risk management is an important governance tool and part of the overall management of performance and delivery of objectives. Detailed reporting of risks and the management of these will support the Council with the delivery of its strategic objectives. The Strategic Risk Register could be improved to provide greater detail and assurance by the inclusion of a direction of travel for the risk rating since it was last reported and a section for each risk that sets out how the Council receives assurance that the risk is being mitigated.

Summary findings

The Council has a documented Risk Management Method (RMM) in place which sets out the Council's approach to identifying and managing risk. The council has made updates to the RMM in the year, however the RMM could further be strengthened through the improvements set out above.

Criteria impacted



Governance

Auditor judgement

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

Management comments

The Council's Risk Management Method was reviewed and updated in 2022 following the recommendation in the 2021/22 Auditors annual Report. A review of the current RMM has taken place recently and a revised methodology has been presented to Management Team in November 2023.

Improvement recommendations

Improvement Recommendation 6

The Council should closely monitor and report on the delivery of the PSIAS action plan to ensure the areas for improvement are progressed in a timely manner and all areas are addressed.

Improvement opportunity identified

The 2022 external assessment of IA concluded the Council were partially compliant with the PSIAS requirements with 21 points for consideration impacting on 12 points of the standards. It is important the Council ensure all improvement points raised in the PSIAS report are adequately addressed in the action plan to ensure the IA service is effective.

Page 206

Summary findings

The significant observations made in the report within the overall opinion were:

- The s151 officer role as Chief Audit Executive blurs the independence of Internal Audit
- Insufficient coverage of the whole Authority during 2021-22 to support the Annual Internal Audit Opinion
- Little or no reference to current risks within audit engagements
- 15 points for consideration in the services' QAIP (Quality Assurance and Improvement programme).

It was also noted that the Council had not comprehensively addressed many of the issues identified as part of the 2017 Peer review on independence, the QAIP and audit engagements. Internal Audit has set out detailed responses to the issues included in the PSIAS report as agreed with the Council's management team. These actions will be included into Internal Audit's Quality Assurance and Improvement programme (QAIP).

Criteria impacted



Governance

Auditor judgement

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

Management comments

The PSIAS action plan was approved by Management Team and reported to Audit and Standards Committee at their meeting on 16th March 2023. Progress reports against the action plan are now a standing item on the committee agenda to ensure that areas for improvement are progressed in a timely manner and all areas are addressed. The latest update being presented to member of Audit and Standards Committee at their meeting 28th September 2023.

Improving economy, efficiency and effectiveness



We considered how the Council:

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

Page 207

Use of financial and performance information

The Council present quarterly monitoring reports throughout the year which include an update on the net budget forecast, reserves position and progress with delivery of agreed savings. Performance data is also discussed at regular meetings held with the Chief Operating Officer, Management Team, Heads of Service and the Executive Portfolio Holder.

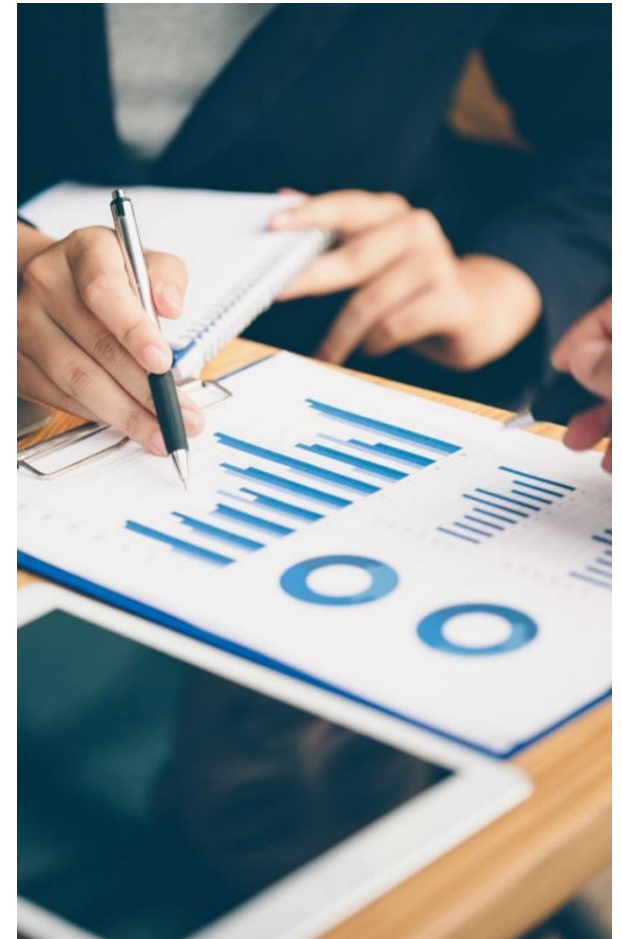
There are also quarterly updates, on the progress against the Strategic Plan 2023, taken to the full Council. The Strategic Plan 2023 sets out the Council's overarching priorities for the next 3 years and is developed around four main themes:

- People - creating flourishing, healthy and confident communities;
- Places - making the Borough a place of choice;
- Prosperity - promoting transformational economic change for Burnley; and
- Performance - ensuring a continuous focus on improvement in all aspects of the Council's performance.

The progress updates that are reported quarterly to full Council, set out a narrative update against each strategic commitment priority. We recommended in our 2020/21 and 2021/22 report that it would be useful if these updates are supplemented with a series of key actions and targets in order to more clearly assess what remains outstanding in fully meeting the strategic plan priority. A review of the latest Strategic Progress report in July 2023 noted the report remained unchanged. We therefore repeat this recommendation for 2022/23.

Improvement recommendation

The Strategic Plan progress updates taken quarterly to Full Council would be enhanced by including key actions and targets against each strategic commitment so it is clear what is being planned and delivered against the strategic plan priority.



Improving economy, efficiency and effectiveness (continued)

In assessing its performance the Council uses several methods to benchmark against other local authorities. An example of this is the use of LG Futures for financial benchmarking data to assess the assumptions utilised in the MTFs. We made recommendations in 2020/21 and 2021/22 that the Council expand the use of benchmarking to support members' decision-making processes and that the additional benchmarking should be included in performance reporting to full Council. We cannot see the inclusion of this additional benchmarking in the quarterly reporting on performance. We understand interpretation of data needs to be done intelligently but it can prove a useful tool to identify performance issues. Improved benchmarking would also offer additional insight into the performance of the Council's commercial partnerships.

Improvement recommendation

We have carried forward our recommendation that the Council include appropriate financial and other service benchmarking data in its performance reporting. This will support members by informing their decision-making and enabling more in-depth comparisons and identification of areas for improvement.

Through its involvement in the Local Government Association (LGA) Corporate Peer Challenge (CPC) and its membership of other sector groups, the Council has proactively sought to learn from the experiences of other local authorities. The Council undertook the CPC review in September 2016, with a follow-up visit in 2018. In last year's AAR we had reported It is in the process of organising another peer review in 2024.

Partnership working

The Council works with several partners across the private and public sector to deliver its services and support its strategic priorities. Examples of these partnerships include:

- Partnerships with Liberata and Urbaser for service delivery;
- Development partners for significant capital projects (such as Pioneer Place); and
- Waste partnerships.

There partnerships are clearly referred to in Council plans, such as the Strategic Plan 2023 and the Procurement Strategy 2022/23.

There are sufficient governance arrangements around these partnerships, with the work of partnerships being reported to the Executive and full Council when applicable. The day to day oversight of these partnerships is provided by partnership boards, that have representatives from both the Council and the strategic partner.

Commissioning and procurement

The Council has published its revised Procurement Strategy in 2022/23. This document sets out the key principles for effective procurement. It sets out how procurement can support the Council in delivering climate change, it's strategic priorities and overall value for money. The strategy is supported by a range of documented key policies and procedures that guide the procurement process at the Council.

Conclusion

The Council continues to have good processes around performance monitoring, partnership working and the commissioning and procurement of goods and services. We have identified two improvement recommendations, both carried forward from our 2021/22 AAR.

Improvement recommendations

Improvement Recommendation 7

The Strategic Plan progress updates taken quarterly to full Council would be enhanced by including key actions and targets against each strategic commitment so it is clear what is being planned and delivered against the Strategic Plan priority.

Improvement opportunity identified

The Council's Strategic Plan sets out the Council's overarching priorities with progress updates reported quarterly to Full Council which set out a narrative update against each strategic commitment priority. It would be useful if these updates are supplemented with a series of key actions and targets in order to more clearly assess what remains outstanding in fully meeting the Strategic Plan priority.

Summary findings

Strategic Plan progress updates do not include key actions or targets against the Council's 4 overarching strategic themes.

Criteria impacted



Improving economy, efficiency and effectiveness

Auditor judgement

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

Management comments

A full review of the strategic plan content is underway. In the interim, while, in our opinion, the updates against progress provided to Full Council are very detailed and extensive, we will review the format of the reports provided in light of the recommendation.

Improvement recommendations

Improvement Recommendation 8

We recommend the Council improve performance reporting by including benchmarking data to support members by helping further inform their decision making processes and enabling further comparisons and identification of any areas for improvement.

Improvement opportunity identified

Benchmarking data can usefully inform debate and challenge to assist in identifying areas for further improvement. Examples would be the inclusion of benchmarking data when presenting updates on key service delivery targets such as collection rates.

Summary findings

Benchmarking is used in a limited capacity and there is scope to develop this further.

Criteria impacted



Improving economy, efficiency and effectiveness

Page 210

Auditor judgement

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

Benchmarking data is used extensively throughout the Council. For example, officers use benchmarking when procuring, extending, or monitoring contracts. Examples of this can be seen in relation to the quarterly Lancashire Waste Partnership benchmarking data, Banking contract benchmarking review, Merchant Services benchmarking review and the Food Waste Trial. Benchmarking data is also used when reviewing fees and charges for the coming financial year. This ensures that fees and charges remain at levels that won't affect demand and result in a drop of overall income.

An upcoming benchmark review will be undertaken for the Waste and Action Resource Programme. The Council are also undertaking a benchmarking exercise for the Strategic Partnership Review that will be used to inform the outcome of the Year 7 Efficiency Review.

Management comments

Where benchmarking data is not publicly available the Council makes use of specialist consultants who can access anonymised client benchmarking data.

Benchmarking data is also used in quarterly performance reporting where we can compare like for like processes such as planning application processing times, council tax and NNDR collection and housing benefit processing times. The Strategic Update reports to Full Council have also included relevant benchmarking data e.g. council tax and NNDR collection rates on both a national level and our statistical nearest neighbour level for comparison purposes (where the data is both available and meaningful). Over the last year we have been engaging with OFLOG following the announcement on metrics for local government and we will be adding these to our reports in the future. That said, given performance in local government service delivery is affected by a number of complex factors including local choices on investment priorities, population distribution, and the socio-economic composition of the area, the lessons to be learnt from comparing outputs or outcomes from other areas is very rarely straightforward so we want to use benchmarking carefully. For example, national data collection on fly tipping action is flawed: there is no consistent definition of what constitutes a fly tip nor what counts as enforcement action.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 We recommend the Council continues to closely monitor the delivery of its savings and cost reduction plans as part of the achievement of its Medium Term Financial Strategy (MTFS) and strategic objectives. It will need to ensure it has robust plans in place to ensure it is able to bridge any future funding gaps that may arise.	Improvement	April 2023	The Council has monitored against the delivery of its savings and cost reduction plan throughout 2022/23. However, the latest update of the medium-term financial strategy highlighted that saving plans required to meet the forecasted medium-term gap remain unidentified. See pages 8 and 9 for more detail.	No	We have re-raised a recommendation to ensure that the Council is focused on delivering savings. See improvement recommendation No. 2
2 The Council should revisit its Risk Management method (RMM) on a regular basis to ensure this is up to date and helps it to achieve its vision, ambitions, and priorities.	Improvement	April 2023	The Council has revisited and made improvements to the RMM in 2022/23. However, we have identified several other updates that could be made to strengthen the monitoring and reporting of risks. See page 16 for more detail.	No	We have re-raised a recommendation to ensure that the Council is focused on delivering improvements. See improvement recommendation No. 5
3 The Council should closely monitor and report on the delivery of the PSIAS action plan to ensure the areas for improvement are progressed in a timely manner and all areas are addressed.	Improvement	April 2023	There are still several actions that need to be completed on the PSIAS action plan at year end.	No	We have re-raised a recommendation to ensure that the Council is focused on delivering improvements. See improvement recommendation No. 6
4 We recommend the A&S committee complete its review against the new CIPFA Audit Committee position statement to establish if there are any gaps in their practices which could impact the effectiveness of the Committee. In particular it should address any training requirements to help ensure members provide knowledgeable and effective challenge.	Improvement	April 2023	The Council has completed a review and is in the process of developing additional training for members.	Yes	No

Follow-up of previous recommendations

Page 212

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5 The Strategic Plan progress updates taken quarterly to full Council would be enhanced by including key actions and targets against each strategic commitment so it is clear what is being planned and delivered against the Strategic Plan priority.	Improvement	April 2023	Still needs to be updated, as per July 2023 Strategic Plan Progress report.	No	We have re-raised a recommendation to ensure that the Council is focused on delivering improvements. See improvement recommendation No. 7
6 We recommend the Council improve performance reporting by including benchmarking data to support members by helping further inform their decision making processes and enabling further comparisons and identification of any areas for improvement.	Improvement	April 2023	There is still ongoing improvements required.	Yes	We have re-raised a recommendation to ensure that the Council is focused on delivering improvements. See improvement recommendation No. 8
7 We recommend the Council consider a further Local Government Association (LGA) Corporate Peer Challenge (CPC) since the previous visit in July 2018. This will help provide an independent assessment of progress since the previous visit and help the Council to identify areas for improvement.	Improvement	April 2023	The Council will undertake a further Local Government Association (LGA) Corporate Peer Challenge (CPC) in 2023/24.	Yes	No
8 The Council should revisit and update its Procurement Strategy to ensure this continues to set a clear framework for procurement throughout the organisation and reflects the Council's priorities within its Strategic Plan.	Improvement	April 2023	The Council has published the revised Procurement Strategy during 2022/23.	Yes	No

Opinion on the financial statements



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

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

Page 213

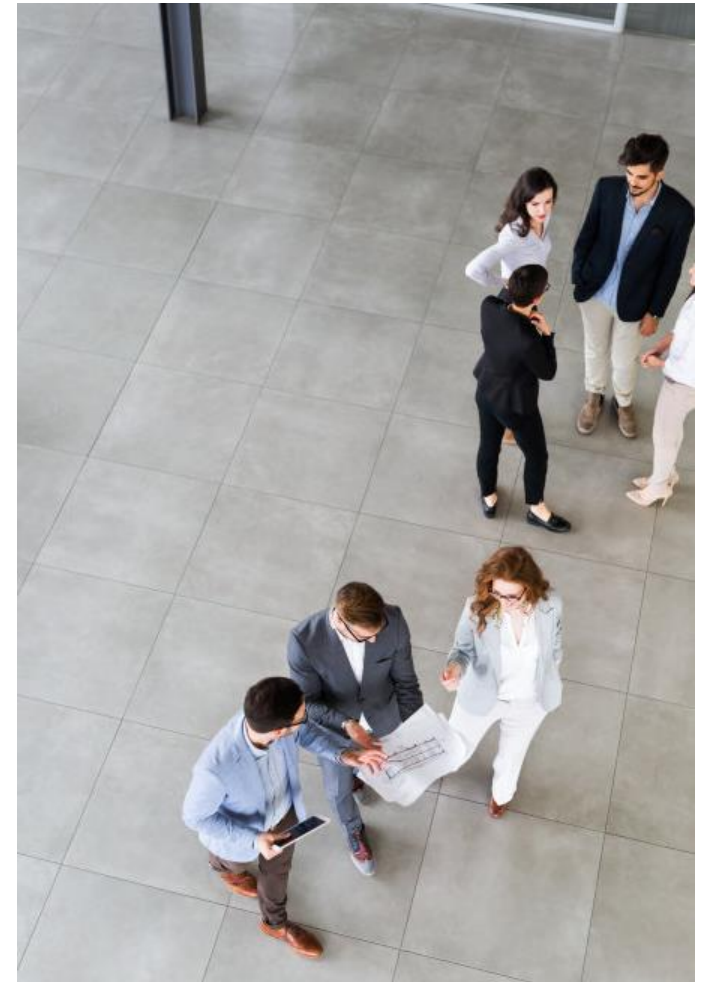
We conducted our audit in accordance with:

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

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

Audit opinion on the financial statements

The audit is substantially complete and subject to final quality procedures we intend to issue an unqualified opinion on the Council's financial statements.



Opinion on the financial statements

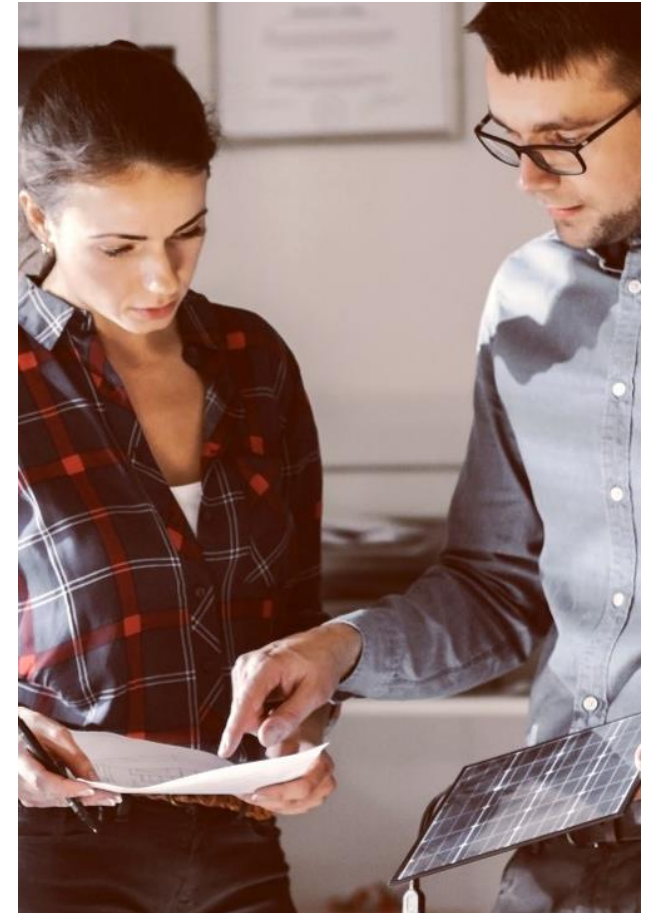


Timescale for the audit of the financial statements

- The Audit Plan was issued in May 2023 and presented to the Audit and Standards Committee
- Our planning and interim work was completed from March to May 2023 and final visit during July to December
- The Council provided draft financial statements on 1 June 2023 in line with the national timetable
- Responses to queries were received in a timely manner and officers worked co-operatively with us to resolve any issues,
- The audit is substantially complete and subject to final quality procedures we intend to issue an unqualified opinion on the Council's financial statements

Findings from the audit of the financial statements

More detailed findings are set out in our Audit Findings Report, which was presented to the Council's Audit and Standards Committee on 28 September 2023. Requests for this Audit Findings Report should be directed to the Council.



Other reporting requirements



Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 28 September 2023

Whole of Government Accounts

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

Our work found no issues to report



Appendices

Appendix A: Responsibilities of the Council

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

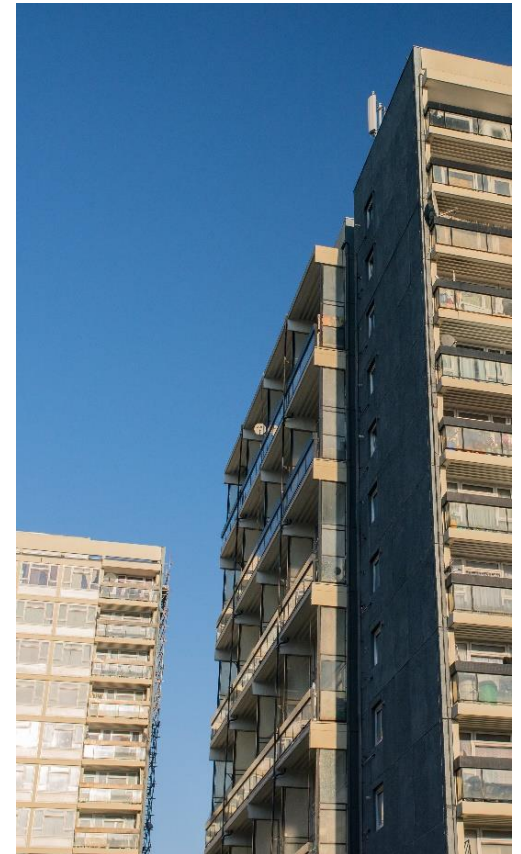
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B:

An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	12-15, 19-20, 23-24

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Arrangements For 2023/24 Annual Governance Statement

REPORT TO AUDIT AND STANDARDS COMMITTEE

 Burnley .gov.uk	DATE	14 December 2023
	PORTFOLIO	Resources and Performance Management
	REPORT AUTHOR	Heather Bullock
	TEL NO	01282 475929
	EMAIL	hbullock@burnley.gov.uk

PURPOSE

1. To inform the Audit and Standards Committee of the arrangements to provide assurance for an Annual Governance Statement for the financial year 2023/24.

RECOMMENDATION

2. That the Audit and Standards Committee approves the proposed process.

REASONS FOR RECOMMENDATION

3. The Audit and Standards Committee are required to approve the Annual Governance Statement.

SUMMARY OF KEY POINTS

4. There is a requirement under the Accounts and Audit Regulations 2015 that as part of the annual accounts process the Council is required to review both its internal control and wider governance arrangements. It must also publish an Annual Governance Statement (AGS) to accompany the Councils Statement of Accounts.
5. Planning for the production of the 2023/24 AGS has now commenced. This will be in line with CIPFA (Chartered Institute for Public Finance and Accountancy) and SOLACE (Society of Local Authority Chief Executives) guidelines. The 2023/24 AGS incorporates the core principles, introduced in the 2016/17 AGS, into the body of the statement.
6. The assurance gathering process remains the same and is shown in Appendix 1.

Directors, Heads of Service and specific Members of the Council will be asked to complete a statement of assurance supported by a governance questionnaire (example questionnaires are provided at Appendix 2 reflecting the seven core principles) which will be passed onto Management Team.

The Chief Executive and Leader will consider Management Team and Member statements before agreeing the Annual Governance Statement for the authority.

7. Similarly, Liberata will also be requested to provide an assurance statement for those services that they provide to the Council.

The 2023-24 AGS will then be reported alongside the Statement of Accounts.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

8. None

POLICY IMPLICATIONS

9. None

DETAILS OF CONSULTATION

10. None

BACKGROUND PAPERS

11. None

FURTHER INFORMATION

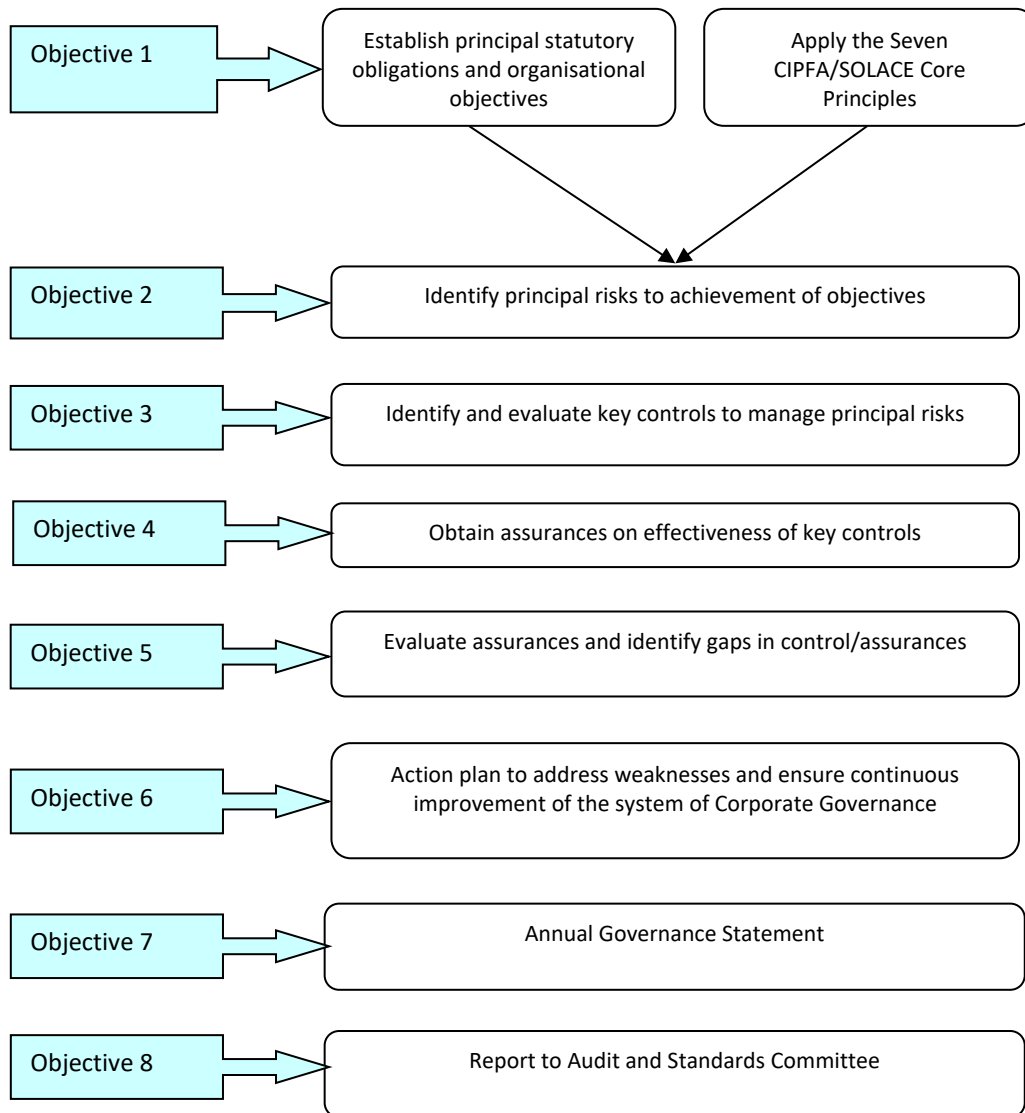
PLEASE CONTACT:

Heather Bullock (Procurement & Information Officer) Tel 01282 475929

ALSO:

Ian Evenett (Internal Audit Manager) Ext 7175

Appendix 1: Annual Governance Statement and the Assurance Gathering Process



From: CIPFA Finance Advisory Network - The Annual Governance Statement – Rough Guide for Practitioners 2007

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Annual Governance Statement

Member Self-Assessment Questionnaire 2023/24

1. Balancing Rules and Trust

Supporting the genuine motivation of people whilst continuing to ensure that those who do breach the rules are discouraged.

Do you consider that:-	Yes	No	N/A	Comments/Examples
	✓	✓	✓	
1. Members are aware of the Members Code of Conduct and have agreed to abide by it.				
2. The Council's Audit and Standards Committee has been in operation and used appropriately.				
3. Members/Officers have not used Council resources outside of restrictions.				
4. Members/Officers have performed their duties with integrity, honesty, impartiality and objectivity.				
5. Members have listened to the advice of Officers.				
6. Members have upheld the impartiality of Officers.				
7. Members and Officers have not breached each other's trust.				
8. Bullying or harassment has not occurred.				
9. Members have worked to achieve Strategic Objectives.				
10. Appropriate confidences have been maintained by officers and members				

2. Independent Overview

Monitoring, developing and promoting the Council's approach delivers improvement in this area.

Do you consider that:-	Yes	No	N/A	Comments
	✓	✓	✓	
1. Each Committee has been able to meet its terms of reference.				
2. Members have been provided with appropriate guidance on operation of: The Executive Scrutiny Committees Member Structures				
3. New Members are trained with specific guidance on the Council's standards and democratic processes.				
4. The Audit and Standards Committee is impartial.				

Annual Governance Statement
Member Self-Assessment Questionnaire 2023/24

3. Leadership

Encouraging good conduct in the Council is the responsibility of members and of officers.

Do you consider that:-	Yes	No	N/A	Comments
	✓	✓	✓	
1. The Council's values have been communicated to: Members Officers The Community Partnerships				
2. The Council seeks to meet the needs of its communities.				
3. The Councils approach has built confidence in the Community.				

4. Transparency

Ensuring transparency in the way the Council carries out its business is a key component of governance.

Do you consider that:-	Yes	No	N/A	Comments
	✓	✓	✓	
1. The public can access appropriate documents (for example, agendas, minutes, background papers)				
2. Communication between members and or officers is open and constructive				
3. There is an open declaration of member interests and records made of any gift and hospitality received.				
4. Members can challenge Council decisions.				
5. The Council (members and officers) respond positively to constructive external criticism about the Council				
6. The public can access the Council's complaints policy				
7. The Council's complaints system is clear.				
8. The Council take complaints from the public seriously.				
9. There is a clear process to report inappropriate officer or member behaviour.				
10. Inappropriate behaviour is dealt with.				

5. Partnerships

1. To the best of your knowledge are the Councils Partnerships (Liberata, Urbaser & Burnley Leisure and Culture) are working well?				
--	--	--	--	--

Officer Governance Self-Assessment Questionnaire 2023/24

In support of the Certificate of Assurance

Officer	
Position	

	Yes	No	N/A	Comment / Detail
	✓	✓	✓	
General				
Have you had to consider making improvements to controls or governance? (please give details) (This could be following a specific incident or following advice from Internal Audit or any other external body reviewing your service)				
Business Planning				
1. Does your service have plans that are based on the authority's vision and strategic objectives?				
2. Have plans, priorities and targets been developed in consultation with key stakeholders (including the local community, employees and members)? Are these plans, priorities and targets clearly communicated?				
3. Are these plans incorporated into the service and Council budget / Medium Term Financial Strategy?				
4. Is risk management incorporated into the business planning process?				
5. When decisions are made, do decision makers receive sufficient information and analysis of a variety of options (where applicable) including risks associated with these options?				
6. Is there flexibility in the delivery of the service to adapt to changing circumstances?				
7. Do you have a Business Continuity Plan in place? And how often is it reviewed?				
8. Has your Business Continuity Plan been tested, when was it last tested?				
Performance Management				
1. Are there effective procedures in place to periodically monitor the performance of:				
a. The authority as a whole				
b. Your service unit				
c. Individual officers				
2. Are performance information about outcomes, achievements and service satisfaction published and is this conveniently available to access?				

	Yes	No	N/A	Comment / Detail
	✓	✓	✓	
3. Is best value and value for money measured and is this applied to all services and partnerships?				
4. Do you benchmark your service costs and quality against other local authorities or similar organisations?				
5. Is the impact of policies and decisions measured? (Environmental, Community, Equality, etc)				
Project Management				
1. Do officers that manage projects receive formal project management training?				
2. Where monies are received from an external body, (e.g., Government funding or any other grant etc) are Project Managers aware of the additional regulations that must be observed?				
3. Do you assess value for money once major projects have been delivered?				
Budgeting				
1. Are there systems and procedures in place to monitor capital and revenue budgets and is there an appropriate reporting mechanism?				
2. Are responsibilities for budget management and control clear?				
3. Are the finances available to the service structured and sufficient to deliver service objectives?				
4. Does the financial strategy appropriately set out the internal and external challenges to service delivery?				
Expenditure				
1. Are your officers aware of Financial Procedure Rules and Standing Orders?				
2. Is procurement activity undertaken in accordance with Standing Orders / Financial Procedure Rules and completed by officers with the necessary delegated authority?				
3. Are all invoices and claims for reimbursement e.g., travel claims, subsistence, P-Cards, etc. examined to confirm that expenditure is correct, necessary and has been incurred?				
4. Is there sufficient separation of duties? (i.e., a system that would not allow an officer to order & receive goods and also authorise the payment of an invoice.)				
5. Where necessary are all contracts and service level agreements with external suppliers in place?				

	Yes	No	N/A	Comment / Detail
	✓	✓	✓	
6. Does your service unit have a petty cash fund? If yes, are there appropriate controls in place for the use of petty cash?				
7. Does your unit have a P-Card? If yes, is P-Card use compliant with the P-Card Regulations? (E.g., PIN numbers are not divulged to other officers, Cards held securely. P-card regulations are available from Payments)				
Income				
1. Does your unit receive cash or other fee income (including sundry debts)?				
2. Do you issue a till receipt or a pre-numbered receipt each time income is received?				
3. Is income paid to the cashiers' office/bank as a matter of urgency?				
4. Is income kept in a secure location prior to being paid in?				
5. Does your service undertake a reconciliation of income recorded and income banked?				
Human Resources				
1. Do you comply with the Recruitment and Selection Policy?				
2. Do induction programmes meet individual and organisational needs? (Including agency personnel)				
3. Do you ensure that all officers attend the staff conferences and are kept up to date with Council strategic plans and activities?				
4. Are effective communication procedures in place to keep officers informed of new and existing corporate and departmental policies / procedures / issues?				
5. Do officers have the knowledge, skills and tools to complete their tasks and support achievement of your service objectives?				
6. Is training available to develop these skills?				
7. Are PDR's and Job Chat's up to date?				
8. Are the procedures in place for sickness / absence monitoring complied with? Are absence reviews carried out to the required timescales?				

	Yes	No	N/A	Comment / Detail
	✓	✓	✓	
9. Do any of your officers get paid on the basis of recording hours worked on a time sheet? If yes <ul style="list-style-type: none"> Are all time sheets authorised by a supervisor / manager? Does the person approving timesheets have first-hand knowledge that the hours shown have been worked? 				
10. Are payroll reconciliations/sign offs up to date?				
11. Is leave i.e., annual / flexi / special / other leave recorded and monitored? Is this done in the HR21 / TA21 application?				
12. Are amendments to the Time & Attendance system verified before updating employee records?				
Information Technology				
1. Do your officers comply with the council's IT Security Policies?				
2. Have all officers completed the IT Security and Data Protection e-learning package?				
3. Has there been any breach of IT security during the past year?				
4. Are your officers aware of the risk of cybercrime, such as ransomware and viruses?				
5. Do you have effective arrangements in place to ensure compliance with Data Protection requirements for both electronic and paper information?				
Health & Safety				
1. Is health and safety assessed for each of your service units? If yes, how frequently do you complete these?				
2. Does your service have processes in place to ensure compliance with Health & Safety Policy?				
Risk Management				
1. Do you have a process in operation to identify, manage and update risk for your service unit?				
2. Are risk management procedures embedded into the service?				
3. How often do you review service risks and when did you last update your risk register?				
4. What are the top 3 risks in your service and how do you manage these risks?				
5. Do all partnerships and major projects have their own risk registers/logs, which are kept up to date?				

	Yes	No	N/A	Comment / Detail
	✓	✓	✓	
6. Before entering any new major partnership do all parties agree a partnership risk register?				
Code of Conduct				
1. Are your officers aware of the Employee Code of Conduct and how do you ensure that they observe the Code?				
2. Are there appropriate governance arrangements for members conduct, such as codes of conduct and procedures to deal with member complaints?				
3. Are there appropriate procedures in place for members and officers to manage outside interests so that they do not conflict with the Councils interests (such as a second job or directorships etc.)?				
4. Is there a gift and hospitality register and is there a specific person identified for its administration?				
5. Have you had to take any action in respect of any declarations of interest or gifts and hospitality?				
6. Has the Head of Service reviewed the gifts and hospitality register (please ensure you evidence this with a signature or comment on the register)?				
7. (Question for Director of Resources only) Has an Officer reviewed the Directors gifts and hospitality register?				
8. Are there appropriate ethical standards in place and are these monitored?				
Anti-Fraud, Bribery and Corruption				
1. Are officers aware of and understand the Councils Anti-Fraud, Bribery and Corruption Policy?				
2. Are whistleblowing procedures embedded into the service?				
3. Have you received any referrals under the Whistle Blowing Policy?				
4. What are the top 3 fraud risks your service is exposed to and how do you manage these?				
Legislation				
1. Are officers aware of legal and regulatory requirements that must be observed?				
2. Do officers observe all specific legal and regulatory requirements?				
3. How do you ensure that you and your officers are aware of any new or amended legislation / regulations and that appropriate action is taken to implement these?				
4. Do you complete checks to ensure your officers comply with those regulations?				


	Yes	No	N/A	Comment / Detail
	✓	✓	✓	
Complaints / Community Consultation				
1. Is there an effective complaints procedure in place to deal with problems in service delivery?				
2. Have you received any complaints about service delivery?				
3. Have you received any compliments / awards regarding your service delivery?				
4. Is there commitment to openness (e.g., meetings held in public) and transparency in all dealings including leadership and partnerships (confidentiality only subject to specific needs where proper and appropriate)?				
5. Do you have a policy that identifies the issues that require consultation and engagement including a feedback mechanism?				
Assets				
1. Do you maintain an inventory of assets and stock records (if applicable)? If yes, is this information held in a secure location?				
2. Are these regularly reviewed? If yes, when did you last review?				
3. Are there arrangements in place to ensure that all assets are properly safeguarded against unauthorised use or disposal?				
Partnerships				
1. Do you have partnerships?				
2. What are these?				
3. Do they share a common aim; do all parties understand this aim?				
4. Do partnerships have:				
4.1. A clear statement of principles and objectives?				
4.2. Values that support those of the Council and are these demonstrated by the partners' behaviour?				
4.3. Clarity regarding each partner's role within the partnership?				
4.4. Line management responsibilities for Council officers supporting the partnership?				
4.5. A statement of funding sources in place for joint projects and clear accountability for proper financial administration?				
4.6. A protocol in place for dispute resolution within the partnership?				

	Yes	No	N/A	Comment / Detail
	✓	✓	✓	
5. Is the legal status of the partnership clear?				
6. Do all representatives of the partnership have the necessary authority to bind their respective organisations to the activities and decisions of the partnership?				
7. Has accountability to, and the effectiveness of, relationship with institutional stakeholders been assessed? (The other organisations/bodies with which a public sector organisation needs to work to improve services and outcomes, or organisations to which it is accountable)				
8. What are the key ways in which your service interacts with the Council's strategic partner?				
9. Has your service experienced any issues with the strategic partner's service delivery?				
9.1. Are these being resolved appropriately?				
General Corporate Governance				
1. Are the roles and responsibilities of senior management (i.e., Heads of Service, Chief Operating Officer and Chief Executive.) clear?				
2. Is there a clear scheme of delegation both to and within the service unit?				
3. Are there effective protocols between members and officers?				
4. Is there appropriate training and guidance available for members to undertake their responsibilities?				
5. Is internal and external (e.g., consultants) professional advice (technical, legal or financial) available and used appropriately?				
6. Is the Scrutiny function effective, with constructive challenges to decisions taken and adds value to the Council's decision-making process?				
Climate Change				
1. Is your service taking steps to reduce your Carbon Footprint?				
2. Are employees within your service aware of the Climate Change Strategy and Action Plan?				
3. Has your service been delivering elements of the Climate Change Strategy?				
4. Are sustainability initiatives actively implemented within your service unit and during decision making e.g., through carbon champions/ management?				

	Yes	No	N/A	Comment / Detail
	✓	✓	✓	
Cost of Living				
1. Has there been a change in the service as a result of the Cost-of-Living Crisis.				
2. Have inflation costs had an impact on the service unit budget?				
3. Have members of the public had to rely on the service unit's services / resources more than usual?				

Internal Audit Progress Report

REPORT TO AUDIT AND STANDARDS COMMITTEE

 <p>Burnley .gov.uk</p>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">DATE</td> <td>14/12/2023</td> </tr> <tr> <td>PORTFOLIO</td> <td>Resources and Performance Management</td> </tr> <tr> <td>REPORT AUTHOR</td> <td>Ian Evenett</td> </tr> <tr> <td>TEL NO</td> <td>01282 425001 Ext 7175</td> </tr> <tr> <td>EMAIL</td> <td>ievenett@burnley.gov.uk</td> </tr> </table>	DATE	14/12/2023	PORTFOLIO	Resources and Performance Management	REPORT AUTHOR	Ian Evenett	TEL NO	01282 425001 Ext 7175	EMAIL	ievenett@burnley.gov.uk
DATE	14/12/2023										
PORTFOLIO	Resources and Performance Management										
REPORT AUTHOR	Ian Evenett										
TEL NO	01282 425001 Ext 7175										
EMAIL	ievenett@burnley.gov.uk										

PURPOSE

1. To inform members of the work undertaken by Internal Audit for the period 1st July to 30th September 2023.

RECOMMENDATION

2. The Committee considers the progress report and comments on its contents.

REASONS FOR RECOMMENDATION

3. Members can monitor the performance of the Internal Audit Section.

SUMMARY OF KEY POINTS

Audit Reports

4. From 1st July to 30th September 2023 there have been 4 audit reports produced. Details of these audits are given in **Appendix 1**.
5. One additional report was provided to Burnley Leisure and Culture under the service level agreement.

Performance Statistics

6. The comparison between actual and planned audits can be seen in **Appendix 2**. Several audits have started, and to date have been completed but due to timing will form part of later quarter statistics to be reported.
7. Performance indicators for Internal Audit are reported in the Finance balanced scorecard. The service currently reports the number of audit reports produced – 9 against an annual

target of 22 and the percentage of high-priority actions from audit action plans implemented which was 100% and has a target of 100%.

Other Activity

8. Work was completed on the Annual Governance Statement 2022 23 which was reported to the Audit and Standards Committee.
9. Part-time Auditors continue to work additional hours. These were already included in the planned resources for the year.
10. The service continues to process matches from the National Fraud Initiative (NFI) which were provided in February and respond to queries from other authorities in respect of matches.
11. Work continues on the implementation of the Action Plan from the Internal Audit External Review.
12. We have assisted in addressing a weakness which the National Cyber Security Centre reported to the Council.
13. The service has been looking at the benchmarking of performance in the collection of Non-Domestic Rates and Council Tax.
14. The transferred services (Annual Governance Statement and Write-offs) have been supported by supplying training to those undertaking the services.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

15. None

POLICY IMPLICATIONS

16. None

DETAILS OF CONSULTATION

17. None

BACKGROUND PAPERS

18. None

FURTHER INFORMATION

PLEASE CONTACT:

**Ian Evenett (Internal Audit Manager) Ext
7175**

ALSO:

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Appendix 1

Summary of Audit reports Issued Quarter 2 2023/24

Audit	Service	Audit Purpose	Audit Opinion	Key Actions Agreed	Implementation Detail	Score ⁱ
Empty Homes Initiatives	Housing and Development Control	To review various initiatives taking place to reduce the number of empty properties.	Vacant Properties are identified within the borough and a range of programmes are carried out, where possible, to bring those properties back into use.	There were no significant issues identified with the operation of these programmes. This includes Monitoring vacant properties Reporting Properties brought back into use. Empty Home Council Tax Premium Policy Vacant Property Loans Acquired Vacant Properties Compulsory Purchase Orders Empty Home Reviews.	N/A	1
Non-Domestic Rates	Finance and Property	To review the processing of NDR.	The internal controls managing the NDR process operate well to mitigate risks and are effective in doing this. There are improvements that have been identified that will further strengthen and ensure controls remain relevant whilst continuing to deliver an effective service	Introduce procedure documents(s) that advise how NDR related processes are carried out and review the Recovery Policy Allocate time/resources to ensure that follow-up action on liability orders is monitored and reported regularly. Review accounts in credit and attempt to trace account holders for refunds. Introduce a process to notify customers how to claim their credit refund when closing their account.	Procedure documents will be produced, and recovery policy will be updated Accounts will revert to more regular monitoring. Credit accounts will be monitored regularly. We will get a weblink printed on credit bills and devise an online refund form to speed up the process	2

Appendix 1

Summary of Audit reports Issued Quarter 2 2023/24

Audit	Service	Audit Purpose	Audit Opinion	Key Actions Agreed	Implementation Detail	Score ⁱ
IR01 2324 - Duplicate payment	Finance and Property	To investigate the reasons for a duplicate payment	A significant duplicate payment was made, and it was identified and recovered prior to the Audit.	Standards for input of invoice data are required. Better use of the notes feature to explain proformas Investigate improvements in reporting duplicates.	Standard for invoice input will be established. Notes will be used for proformas or credits notes. The user group will be consulted on the customisation of the duplicates report.	N/A
Annual Governance Statement	Corporate	To provide an Annual Governance Statement for 2022 23	No Significant issues identified	No Significant issues identified	No Significant issues identified.	N/A (1)

Page 24

Audit Score Defined

Score	Opinion	Definition of Opinion
1	Comprehensive Assurance	There is a sound system of controls designed to meet objectives and controls are consistently applied in all the areas reviewed.
2	Reasonable Assurance	There is a good system of controls. However, there are minor weaknesses in the design or consistency of application that may put the achievement of some objectives at risk in the areas reviewed.
3	Limited Assurance	Key controls exist to help achieve system objectives and manage principal risks. However, weaknesses in design or inconsistent application of controls are such that put the achievement of system objectives at risk in the areas reviewed.
4	No Assurance	The absence of basic key controls or the inconsistent application of key controls is so severe that the audit area is open to abuse or error.
N/A	Not Applicable	The audit review undertaken did not have as its primary objective an assessment of system, its controls and their effectiveness.

ⁱ See Audit Score Defined.

Appendix 2

Internal Audit Plan Progress Quarter 2 2023 24

Audit	Started	Report Issued	Audit Score
Corporate			
Annual Governance Statement	Y	Y	N/A
NFI	Y	Y	
Procurement	Y		
Fraud Risk Review	Y	Y	
Strategic Partner Performance Indicators			
Finance & Property			
Payroll			
NDR	Y	Y	2
Energy Rebates			
Energy			
Bank Reconciliation			
Fees and Charges	Y	Y	
Medium Term Financial Strategy			
General Ledger	Y	Y	
Benefits	Y		
Related Party Interests	Y	Y	N/A
People and Development			
Health and Safety	Y		
Attendance			
Information Governance			
Website and Digital Services	Y	Y	2
Desktop Software			
Security Policies			
Housing & Development Control			
Empty Homes Initiatives	Y	Y	1
Landlord Selective Licencing			

Appendix 2

Internal Audit Plan Progress Quarter 2 2023 24

Audit	Started	Report Issued	Audit Score
Legal & Democratic Services			
Elections	Y	Y	1
Street Scene			
Trade Waste	Y	Y	
Taxi Licensing			
Out of Hours Response	Y		
Economy & Growth			
Charter Walk Procurement	Y		
Markets			
External Clients			
Burnley Leisure – Service Level Agreement	Y	Y	N/A
Irregularity Report			
IR01 Duplicate Payment	Y	Y	N/A

Strategic Risk Register

REPORT TO AUDIT AND STANDARDS COMMITTEE



DATE	14/12/2023
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Ian Evenett
TEL NO	01282 425011 Ext 7175
EMAIL	ievenett@burnley.gov.uk

PURPOSE

1. To update members on the Strategic Risk Register.

RECOMMENDATION

2. The Committee considers the Strategic Risk Register and comments on its contents.
3. The Committee recommends this Strategic Risk Register to the Executive.

REASONS FOR RECOMMENDATION

4. Members can monitor the Strategic Risk Register arrangements.

SUMMARY OF KEY POINTS

Strategic Risk Register

5. The current Strategic Risk Register (Appendix 1).
6. The major change is the revision of the scoring system. The comments from members were that a 5 by 5 score matrix should be used. Management Team agreed with this approach. As a result the previous 3 by 3 matrix was revised and the new scoring system introduced into the Council's Risk Management Method. The scoring system is used in both the national risk register and in the Lancashire Resilience Forum (LRF) Community Risk Register.
7. This approach should allow a greater flexibility in analysis and to make risk management clearer to its audience. The score range has increased from 1 to 9 to 1 to 25 which should increase the separation in risk scores.
8. Officers have updated the actions taken in respect of those risks.
9. Details of the changes are recorded in Appendix 2 so that members can see what has altered. Some names have been altered to make the naming more consistent in the

register but the numbering remains.

10. Where possible the scores from the National Risk Register and the LRF Community Risk Register have been considered. Not all risks are comparable so in some ways the risks are complimentary, but some are of a similar nature (e.g. weather events). The scores on these are not directly transferable as the impacts are generally at a higher level than would be considered for the Council. Also both registers likelihoods are based on a nil to 25% score.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

11. None

POLICY IMPLICATIONS

12. None

DETAILS OF CONSULTATION

13. None

BACKGROUND PAPERS

14. [National Risk Register 2023 - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

15. [2022/23 Lancashire Community Risk Register \(lancashireprepared.org.uk\)](http://lancashireprepared.org.uk)

FURTHER INFORMATION

PLEASE CONTACT:

Ian Evenett (Internal Audit Manager) Ext 7175

ALSO:

Howard Hamilton-Smith (Director of Resources) Ext 7173



Burnley Borough Council

Strategic Risk Register

01 December 2023

Strategic Risk Register Summary

ID	Risk Description	Risk Score	Impact	Likelihood
1	Financial Stability	15	5	3
5	Changes in National Policy/Legislation	12	3	4
7	Information Technology Risks	12	4	3
2	Maintaining Partnership Performance	9	3	3
3	Reputational Risks	9	3	3
8	Influence Key Decision Makers	9	3	3
9	Risks in Response to Changes in Population and Deprivation	9	3	3
10	Workforce, Skills and Capacity Challenges	9	3	3
15	Cost of Living Crisis	9	3	3
13	Environmental Event	8	4	2
4	Changes in the Political Landscape	6	3	2
6	Risks in Delivery of the Regeneration Programme	6	3	2
11	Malicious Attack	5	5	1
14	Influenza type Pandemic	5	5	1
12	Safeguarding Failure	3	3	1

Risk Prioritization Matrix Current Likelihoods

Impact	5	11,14		1			Red High 16-25
	4		13	7			
	3	12	6	2,3,8,9, 10,15	4,5		Amber Medium 8 - 15
	2						
	1						Green Low 1 - 6
		1	2	3	4	5	
Likelihood							

Impact		Likelihood	
5	Major	5	80% <
4	Significant	4	60% - 80%
3	Moderate	3	40% - 60%
2	Minor	2	20% - 40%
1	Limited	1	< 20%

Risk Ref: 1 Financial Stability

Trigger or Cause

Further funding cuts
 Income loss
 Insufficient financial controls
 Expensive decision making
 External cost pressures e.g. increased energy costs
 Price or Interest Rate Increases
 Political growth
 Failing to understand the financial problem
 National Economic Changes
 Claims against the Council

Possible Consequences of Risk

Damaged Organisational sustainability
 Reduced service delivery
 Reduced customer satisfaction
 Reduced reserves
 Overspends
 Damaged credit rating
 Damage to reputation
 Workforce morale/planning/retention
 Reduced reputation for financial management
 Central Government Intervention

Strategic Link: Cross Cutting

Residual Risk Assessment	Impact	3	Likelihood	5	Score	15	Medium Priority Risk
--------------------------	--------	---	------------	---	-------	----	----------------------

Strategic Commitments

- PF1 - We will manage our contract with Liberata robustly, so it delivers value for money and good services.
- PF2 - We will adopt a Medium Term Financial Strategy that will put the Council on a sustainable financial footing. This strategy will set the framework for preparing annual budgets, ensuring the annual budget strategy is set within the context of the longer-term outlook.
- PF3 - We will develop our digital strategy, so that more residents transact with us online and we will continue to deliver services more efficiently.
- PF4 - We will deliver our Organisational Development strategy, ensuring we plan for the structures and capabilities that the organisation needs, and empowering our workforce to deliver the objectives of the Strategic Plan.
- PL6 - We will invest in our heritage assets for the benefit of this, and future, generations.
- PR5 - We will support UCLan’s expansion, transforming Burnley into a University Town, supporting higher level skills and business innovation.
- PR6 - We will work with partners to ensure that residents are able and ready to participate in the workforce.
- PE2 - We will continue to develop the leisure and cultural offer of Burnley in partnership with Burnley Leisure.

Lead Responsibility : Director of Resources

Risk Ref: 1 Financial Stability

Actions On Risk

Medium Term Financial Strategy 2023/28 up dated August 2023. Financial risks and mitigations covered in the MTFS. 2024/29 Update prepared for Feb 2024.

Risk Ref: 2 Maintaining Partnership Performance

Trigger or Cause

Possible Consequences of Risk

Procurement method

Reduced service delivery

Supply chain failure

Reduced customer satisfaction

Commissioning 'v' traditional culture

Political or reputation embarrassment

Political Change

Perceived council failure

Poor implementation

Poor co-ordination of existing providers and systems

Compliance/Legal

Poor relationships

Business continuity

Increased costs

Transformational cultural change not achieved

Poor or weak contract management

Partner failure or withdrawal

Strategic Link: Cross Cutting

Residual Risk Assessment

Impact

3

Likelihood

3

Score

9

Medium Priority Risk

Strategic Commitments

PE1 - We will work with partners to make the borough a place of aspiration, including supporting efforts to increase education attainment and skills development.

PE2 - We will continue to develop the leisure and cultural offer of Burnley in partnership with Burnley Leisure.

PF1 - We will manage our contract with Liberata robustly, so it delivers value for money and good services.

PE3 - We will continue to work with partners to provide necessary support systems to reduce homelessness and to end rough sleeping in the borough.

PL1 - We will implement a range of initiatives to maintain a clean, safe, attractive, and environmentally friendly borough. This will include community engagement, enforcement and cleansing in 'hotspot' areas.

PL3 - We will work with partners to improve quality and choice in the borough's housing stock, and reduce the blight of empty properties

PL4 - We will implement our 2015-25 Green Space Strategy.

PR3 - We will deliver the Town Centre and Canalside Masterplan, and strategic projects in Padiham Town Centre.

PR5 - We will support UCLan's expansion, transforming Burnley into a University Town, supporting higher level skills and business innovation.

Other Work

Contract Review and Extension Planning

Lead Responsibility : Management Team

Risk Ref: 2 Maintaining Partnership Performance

Actions On Risk

Strong contract governance with strategic partners (Liberata, BL&C, Urbaser, Barnfield IP, Calico and UCLAN): regular performance meetings at a senior and operational level, change control procedures and risk management, and a robust performance management and reporting framework in place.

Risk Ref: 3 Reputational Risks

Trigger or Cause

Service failure
 Loss of key staff
 External events
 Customer Satisfaction not maintained
 Partner failure or withdrawal

Possible Consequences of Risk

Strategic plan delivery problem
 Credibility of the leadership (both political and officer)
 Low morale
 Loss of key staff
 Recruitment and retention issues

Strategic Link: Cross Cutting

Residual Risk Assessment

Impact

3

Likelihood

3

Score

9

Medium Priority Risk

Strategic Commitments

PF1 - We will manage our contract with Liberata robustly, so it delivers value for money and good services.

PF2 - We will adopt a Medium Term Financial Strategy that will put the Council on a sustainable financial footing. This strategy will set the framework for preparing annual budgets, ensuring the annual budget strategy is set within the context of the longer-term outlook.

PR1 - We will contribute to the strategic direction of local, sub-regional and regional partnerships, and will position the borough for economic development investment

PL1 - We will implement a range of initiatives to maintain a clean, safe, attractive, and environmentally friendly borough. This will include community engagement, enforcement and cleansing in 'hotspot' areas.

PF3 - We will develop our digital strategy, so that more residents transact with us online and we will continue to deliver services more efficiently.

PE4 - We will continue to work on the wider determinants of poor health. This will include reducing food insecurity and responding to the cost of living crisis with practical support. We will work closely with the Integrated Care Board and ensure that the Borough Council plays an active role on the proposed placed based partnerships

Lead Responsibility : Chief Executive Officer

Risk Ref: 3 Reputational Risks

Actions On Risk

Key actions include the current review of the contract and benchmarking, and implementation of a remediation plan to improve customer service performance.

Risk Ref: 4 Changes in the Political Landscape

Trigger or Cause

No overall control
 Political instability
 Poor member and officer relationships
 Poor member and member relationships
 Local Govt Reorganisation

Possible Consequences of Risk

Lack of strategic leadership
 Poor decision making
 Impact on the Council’s reputation
 Loss of influence with key partners

Strategic Link: People Performance

Residual Risk Assessment	Impact	2	Likelihood	3	Score	6	Low Priority Risk
--------------------------	--------	---	------------	---	-------	---	-------------------

Strategic Commitments

PE1 - We will work with partners to make the borough a place of aspiration, including supporting efforts to increase education attainment and skills development.

PR4 - We will implement the Local Plan, delivering new housing, employment sites, and infrastructure.

PF2 - We will adopt a Medium Term Financial Strategy that will put the Council on a sustainable financial footing. This strategy will set the framework for preparing annual budgets, ensuring the annual budget strategy is set within the context of the longer-term outlook.

Other Work

Council Constitution

Lead Responsibility : Chief Executive Officer

Risk Ref: 4 Changes in the Political Landscape

Actions On Risk

Robust contract management in place with delivery partners (Liberata, Urbaser, development partners). Cyber treatment plan implemented to reduce risk from data breach.

Risk Ref: 5 Changes in National Policy/Legislation

Trigger or Cause

New functions/loss of existing functions
 Short term thinking
 Lack of capacity
 Changes from the devolution of Powers from Central Government
 Interest rate changes

Possible Consequences of Risk

Reduced control over what you do and how you do it
 Inability to respond to the new agenda and continue with on-going functions
 Exclusion from new or evolving regional and sub-regional governance and operating structure
 Not in a position to deliver new functions or requirements

Strategic Link: Prosperity Performance

Residual Risk Assessment	Impact	4	Likelihood	3	Score	12	Medium Priority Risk
--------------------------	--------	---	------------	---	-------	----	----------------------

Strategic Commitments

PR1 - We will contribute to the strategic direction of local, sub-regional and regional partnerships, and will position the borough for economic development investment

PF4 - We will deliver our Organisational Development strategy, ensuring we plan for the structures and capabilities that the organisation needs, and empowering our workforce to deliver the objectives of the Strategic Plan.

Lead Responsibility : Management Team

Risk Ref: 5 Changes in National Policy/Legislation

Actions On Risk

There are no current plans for LG reorganisation so that risk is unlikely and is accepted. The council's recent history indicates that all members of the council are committed to a smooth transition from one political administration to another. Officers are experienced and knowledgeable in election administration, and in supporting and advising all members in legal and constitutional matters to assist with the process of transition.

Risk Ref: 6 Risks in Delivery of the Regeneration Programme

Trigger or Cause

Possible Consequences of Risk

Economic downturn

Inability of private sector partners to deliver

Lending squeeze/Interest rate increases

Delivery partner does not have the capacity to deliver

Procurement failure

Delays in delivery of the regeneration programme

Regeneration funding priorities change

Damaged reputation

Changes in funding from Central Government

Increase programme costs

Changes in Town Centre Use

Decreased programme funding

Strategic Link: Prosperity People

Residual Risk Assessment

Impact

2

Likelihood

3

Score

6

Low Priority Risk

Strategic Commitments

PR1 - We will contribute to the strategic direction of local, sub-regional and regional partnerships, and will position the borough for economic development investment

PR2 - We will proactively support the borough's businesses to innovate and expand, and make the borough a natural choice for business relocation

PR3 - We will deliver the Town Centre and Canalside Masterplan, and strategic projects in Padiham Town Centre.

PR4 - We will implement the Local Plan, delivering new housing, employment sites, and infrastructure.

PR5 - We will support UCLan's expansion, transforming Burnley into a University Town, supporting higher level skills and business innovation.

PR6 - We will work with partners to ensure that residents are able and ready to participate in the workforce.

PL3 - We will work with partners to improve quality and choice in the borough's housing stock, and reduce the blight of empty properties

PE1 - We will work with partners to make the borough a place of aspiration, including supporting efforts to increase education attainment and skills development.

Lead Responsibility : Director of Economy and Development

Risk Ref: 6 Risks in Delivery of the Regeneration Programme

Actions On Risk

Lancashire 2050 vision published and agreed by Lancashire Local Authorities.

Risk Ref: 7 Information Technology Risks

Trigger or Cause

Possible Consequences of Risk

IT partnership failure (to deliver past procurement)
 IT partnership procurement failure
 Current IT provision failure
 Information governance failure
 Cyber-attack
 IT Supply Chain Failure

Inability to deliver and develop services and not deliver anticipated savings and service improvement
 Public confidence in use of Council services through IT lowered
 Data Loss and Service disruption
 Increased costs of recovery
 Regulator Action

Strategic Link: Performance

Residual Risk Assessment

Impact

3

Likelihood

4

Score

12

Medium Priority Risk

Strategic Commitments

PF1 - We will manage our contract with Liberata robustly, so it delivers value for money and good services.

PF3 - We will develop our digital strategy, so that more residents transact with us online and we will continue to deliver services more efficiently.

Lead Responsibility : Chief Operating Officer

Risk Ref: 7 Information Technology Risks

Actions On Risk

White Paper on devolution powers to combined authorities published. Currently no agreement on Lancashire combined authority.

Risk Ref: 8 Influence Key Decision Makers

Trigger or Cause

Change of political control
 Breakdown of key relationships
 Change of staff/key relationships
 Change in reputation for delivery

Possible Consequences of Risk

Loss of external funding opportunities
 Reduced level of influence over key decision makers
 Inability to deliver through partnerships
 Reduced reputation of Council

Strategic Link: Cross Cutting

Residual Risk Assessment	Impact	3	Likelihood	3	Score	9	Medium Priority Risk
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Strategic Commitments

- PE1 - We will work with partners to make the borough a place of aspiration, including supporting efforts to increase education attainment and skills development.
- PL3 - We will work with partners to improve quality and choice in the borough’s housing stock, and reduce the blight of empty properties
- PR1 - We will contribute to the strategic direction of local, sub-regional and regional partnerships, and will position the borough for economic development investment
- PR2 - We will proactively support the borough’s businesses to innovate and expand, and make the borough a natural choice for business relocation
- PR5 - We will support UCLan’s expansion, transforming Burnley into a University Town, supporting higher level skills and business innovation.

Lead Responsibility : Management Team

Risk Ref: 8 Influence Key Decision Makers

Actions On Risk

Programs are long term and constantly under review to reflect wider socio-economic circumstances and availability of funding.

Risk Ref: 9 Risks in Response to Changes in Population and Deprivation

Trigger or Cause

Government policy
 Economic downturn
 Big ticket issues – crime, health, housing
 Benefit dependency
 Short term fixes
 Negative reputation
 Failure to develop opportunities
 Local Infection Increase (C19)
 Ukraine policy

Possible Consequences of Risk

Not delivering on the regeneration programme
 Poor service delivery
 Poor customer satisfaction
 Low aspirations
 Damage to reputation
 Failure to improve
 Increased demand
 Increased costs
 Less funding
 Viability of Burnley

Strategic Link: Cross Cutting

Residual Risk Assessment

Impact

3

Likelihood

3

Score

9

Medium Priority Risk

Strategic Commitments

PE1 - We will work with partners to make the borough a place of aspiration, including supporting efforts to increase education attainment and skills development.

PE2 - We will continue to develop the leisure and cultural offer of Burnley in partnership with Burnley Leisure.

PL1 - We will implement a range of initiatives to maintain a clean, safe, attractive, and environmentally friendly borough. This will include community engagement, enforcement and cleansing in 'hotspot' areas.

PL2 - We will improve the management and condition of rented accommodation in the private and social sectors and enforce standards in a robust way.

PL3 - We will work with partners to improve quality and choice in the borough's housing stock, and reduce the blight of empty properties

PR1 - We will contribute to the strategic direction of local, sub-regional and regional partnerships, and will position the borough for economic development investment

PR2 - We will proactively support the borough's businesses to innovate and expand, and make the borough a natural choice for business relocation

PL3 - We will work with partners to improve quality and choice in the borough's housing stock, and reduce the blight of empty properties

PR4 - We will implement the Local Plan, delivering new housing, employment sites, and infrastructure.

Other Work

Community Hub

Lead Responsibility : Management Team

Risk Ref: 9 Risks in Response to Changes in Population and Deprivation

Actions On Risk

The Council works with a range of partner organisations, both public and private, who have a wide range of skills and resources to deliver these objectives. The Council has a robust program in place for UK SPF to ensure that funding is spent in accordance with the agreed plan. The Council is regularly engaged with key funding bodies including Homes England and Lottery funds to identify opportunities.

Risk Ref: 10 Workforce, Skills and Capacity Challenges

Trigger or Cause

Loss of the workforce
 Loss of organisational memory
 Loss of organisational skills
 Lack of commitment to organisational development
 Lack of investment in training
 Political direction change

Possible Consequences of Risk

Service failure/deterioration
 Damaged reputation
 Increased complaints
 Low morale
 Recruitment and retention issues
 Increased workflow
 Business resilience
 Not having the right staff with the right skills

Strategic Link: Cross Cutting

Residual Risk Assessment	Impact	3	Likelihood	3	Score	9	Medium Priority Risk
--------------------------	--------	---	------------	---	-------	---	----------------------

Strategic Commitments

- PF1 - We will manage our contract with Liberata robustly, so it delivers value for money and good services.
- PF2 - We will adopt a Medium Term Financial Strategy that will put the Council on a sustainable financial footing. This strategy will set the framework for preparing annual budgets, ensuring the annual budget strategy is set within the context of the longer-term outlook.
- PF3 - We will develop our digital strategy, so that more residents transact with us online and we will continue to deliver services more efficiently.
- PL4 - We will implement our 2015-25 Green Space Strategy.
- PF4 - We will deliver our Organisational Development strategy, ensuring we plan for the structures and capabilities that the organisation needs, and empowering our workforce to deliver the objectives of the Strategic Plan.

Lead Responsibility : Chief Executive Officer

Risk Ref: 10 Workforce, Skills and Capacity Challenges

Actions On Risk

Robust contract management in place with delivery partners (Liberata and key software providers).

Risk Ref: 11 Malicious Attack

Trigger or Cause

Public Disturbance
 National Risk Level
 Lack of Stakeholder Engagement
 Lack of Planning
 Poor and delayed information and communication
 Event Targeting
 Cyber-attack

Possible Consequences of Risk

Death of Public / Staff
 Loss of Assets
 Major impact on Services and Community
 Evacuation
 Financial Cost
 Reputational damage
 Data Loss

Strategic Link: Cross-Cutting

Residual Risk Assessment

Impact

1

Likelihood

5

Score

5

Low Priority Risk

Strategic Commitments

PF1 - We will manage our contract with Liberata robustly, so it delivers value for money and good services.

Other Work

- Business Continuity Plans
- Emergency Planning
- Local Improvement of Counter Terrorism Strategy (CONTEST)
- Event Planning
- Community Engagement
- Local Resilience Forum

Lead Responsibility : Chief Operating Officer

Risk Ref: 11 Malicious Attack

Actions On Risk

Detailed risk register for IT under regular review and actions being taken to mitigate priority risks.

Risk Ref: 12 Safeguarding Failure

Trigger or Cause

Weak or No response to reported issues
 Historic issues which are identified
 Safeguarding System Failure
 Failure of Background Checks
 Not recognising Safeguarding Risks

Possible Consequences of Risk

Injury to Clients
 Resources diverted to address Risks
 Major impact on Services and Community
 Financial Costs
 Reputational Damage
 Central Government Action

Strategic Link: Cross Cutting

Residual Risk Assessment

Impact

1

Likelihood

3

Score

3

Low Priority Risk

Strategic Commitments

PF4 - We will deliver our Organisational Development strategy, ensuring we plan for the structures and capabilities that the organisation needs, and empowering our workforce to deliver the objectives of the Strategic Plan.

Other Work

- Safeguarding Policy
- Open and Transparent Culture
- Whistleblowing Policy
- Communications
- Corporate Complaints Process

Lead Responsibility : Chief Executive Officer

Risk Ref: 12 Safeguarding Failure

Actions On Risk

Cloud First Policy to improve network access and reliability, and to drive down maintenance costs.

Risk Ref: 13 Environmental Event

Trigger or Cause

Extreme Weather
 High Rainfall
 Heatwave
 Changing Climate
 High Snowfall
 Storms and Gales
 Flooding

Possible Consequences of Risk

Death of Public / Staff
 Loss of Assets
 Major impact on Services and Community
 Evacuation
 Financial Cost

Strategic Link: Cross Cutting

Residual Risk Assessment

Impact

2

Likelihood

4

Score

8

Medium Priority Risk

Strategic Commitments

PL5 - We will implement our Climate Change Strategy.

PL1 - We will implement a range of initiatives to maintain a clean, safe, attractive, and environmentally friendly borough. This will include community engagement, enforcement and cleansing in 'hotspot' areas.

PF3 - We will develop our digital strategy, so that more residents transact with us online and we will continue to deliver services more efficiently.

Other Work

Business Continuity Plans
 Emergency Planning
 Event Planning
 Community Engagement
 Local Resilience Forum
 Sustainability

Lead Responsibility : Head of Streetscene

Risk Ref: 13 Environmental Event

Actions On Risk

Cyber treatment plan implemented to reduce risk from data breach, including prevention and restoration actions, and insurance against data loss.

Risk Ref: 14 Influenza type Pandemic

Trigger or Cause

Pandemic
 Influenza
 SAR
 MERS
 COVID
 Local Infection Increase
 Variant Strains

Possible Consequences of Risk

Death of Public / Staff
 Major impact on Services and Community
 Financial Cost
 Event Closure
 Buildings Closure
 Business and Economy failures Failure to bury the dead

Strategic Link: Cross Cutting

Residual Risk Assessment

Impact

1

Likelihood

5

Score

5

Low Priority Risk

Strategic Commitments

PR6 - We will work with partners to ensure that residents are able and ready to participate in the workforce.

PE4 - We will continue to work on the wider determinants of poor health. This will include reducing food insecurity and responding to the cost of living crisis with practical support. We will work closely with the Integrated Care Board and ensure that the Borough Council plays an active role on the proposed placed based partnerships

PE3 - We will continue to work with partners to provide necessary support systems to reduce homelessness and to end rough sleeping in the borough.

Other Work

- Business Continuity Plans
- Emergency Planning
- Community Engagement
- Local Resilience Forum
- Transitional/Recovery Arrangements
- Test/Trace/Vaccination/Isolation Payments
- Cremation Services
- Community Hub
- Grant Schemes

Lead Responsibility : Management Team

Risk Ref: 14 Influenza type Pandemic

Actions On Risk

Use of framework agreements to reduce tendering costs and therefore reduce change and improvement costs.

Risk Ref: 15 Cost of Living Crisis

Trigger or Cause

Rising Energy Costs
 Rising Food Costs
 High Fuel Costs
 Higher than Average Inflation

Possible Consequences of Risk

Increase Deprivation
 Food Poverty
 Child Poverty
 Fuel Poverty
 Death of Public
 Homelessness

Strategic Link: Cross Cutting

Residual Risk Assessment	Impact	3	Likelihood	3	Score	9	Medium Priority Risk
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Strategic Commitments

PR6 - We will work with partners to ensure that residents are able and ready to participate in the workforce.

PE4 - We will continue to work on the wider determinants of poor health. This will include reducing food insecurity and responding to the cost of living crisis with practical support. We will work closely with the Integrated Care Board and ensure that the Borough Council plays an active role on the proposed placed based partnerships

PE3 - We will continue to work with partners to provide necessary support systems to reduce homelessness and to end rough sleeping in the borough.

PL2 - We will improve the management and condition of rented accommodation in the private and social sectors and enforce standards in a robust way.

Other Work

Community Engagement
 Grants and Payments e.g. Energy Rebate
 Community Hub
 Uniform Exchange
 Support for Charities
















Lead Responsibility : Management Team

Risk Ref: 15 Cost of Living Crisis

Actions On Risk

The Council maintains good relations with local partners and with Government Bodies and Departments.

Strategic Risk Register Changes

ID	Risk Description	Risk Score	Impact	Likelihood	Old Name	Old Score	Impact	Likelihood	Move	Move	
1	Financial Stability	15	Major	5 3	40% - 60%	Financial stability	9	High	3 3	Decrease	
2	Maintaining Partnership Performance	9	Moderate	3 3	40% - 60%	Maintaining Partnership Performance	4	Medium	2 2	Same	
3	Reputational Risks	9	Moderate	3 3	40% - 60%	Damage to the Council's reputation	4	Medium	2 2	Same	
4	Changes in the Political Landscape	6	Moderate	3 2	20% - 40%	Changes in the political landscape	6	Medium	2 3	Decrease	
5	Changes in National Policy/Legislation	12	Moderate	3 4	60% - 80%	Changes in national policy/legislation	6	Medium	2 3	Same	
6	Risks in Delivery of the Regeneration Programme	6	Moderate	3 2	20% - 40%	Inability to deliver the regeneration programme	6	Medium	3 2	Decrease	
7	Information Technology Risks	12	Significant	4 3	40% - 60%	Inability to drive improvements through information technology	3	Low	3 1	Increase	
8	Influence Key Decision Makers	9	Moderate	3 3	40% - 60%	Inability to influence key decision makers	6	Medium	3 2	Same	
9	Risks in Response to Changes in Population and Deprivation	9	Moderate	3 3	40% - 60%	Risks in responding to demographic changes and increased deprivation	9	High	3 3	Decrease	
10	Workforce, Skills and Capacity Challenges	9	Moderate	3 3	40% - 60%	Workforce, skills and capacity challenges	6	Medium	2 3	Same	
11	Malicious Attack	5	Major	5 1	< 20%	Malicious Attack	3	Low	3 1	Same	
12	Safeguarding Failure	3	Moderate	3 1	< 20%	Safeguarding Failure	3	Low	3 1	Same	
13	Environmental Event	8	Significant	4 2	20% - 40%	Environmental Event	6	Medium	3 2	Same	
14	Influenza type Pandemic	5	Major	5 1	< 20%	Failure to respond to a widespread illness	3	Low	3 1	Same	
15	Cost of Living Crisis	9	Moderate	3 3	40% - 60%	Cost of Living Crisis	9	High	3 3	Decrease	

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Fraud Risk Assessment

REPORT TO AUDIT AND STANDARDS COMMITTEE



DATE	14/12/2023
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Salma Hussain
TEL NO	01282 477174
EMAIL	salmahussain@burnley.gov.uk

PURPOSE

1. To inform Members of the current fraud trends that affects the public sector.

RECOMMENDATION

2. That Committee note the report.

REASONS FOR RECOMMENDATION

3. The Council's arrangements for the fight against fraud and corruption are monitored by the Audit and Standards Committee.
4. The Committee is satisfied with management's reaction to the report and the risk of fraud.

SUMMARY OF KEY POINTS

5. The current published fraud reports are;
 - Annual Fraud Indicator 2023 (Crowe, Peters & Peters and University of Portsmouth)
 - Financial Cost of Fraud 2021 (Crowe)
 - Fraudscape 2023 6 month update (CIFAS)
 - Cyber Security Breaches Survey 2023 (Department for Science, Innovation and Technology)
 - Tackling fraud and corruption against government 2023 (National Audit Office)
 - Tackling fraud in the public sector - a local government perspective 2020 (Perpetuity Research & Consultancy International (PRCI) Ltd)

6. According to the Annual Fraud Indicator 2023 (AFI), there has been a loss of £4.6 billion in Local Government fraud (excluding benefits). Some of these fraud areas mentioned are Housing Tenancy, Procurement, Payroll and Grant Fraud.
7. Internal policies such as the Anti-Fraud, Bribery and Corruption (ABC) Policy and the Whistleblowing Policy were examined. This was to establish if the policies in place met CIPFA's recommended "... a general fraud policy should include guidelines on what registers and, where appropriate, mandatory declarations of interest. A visible and well-articulated whistleblowing policy is also essential for creating an anti-fraud culture.". No issues arose.

Council Tax

8. Council Tax continues to be an area of identified fraud. Council Tax fraud is split into 3 sections;

Single Person Discount (SPD),
Council Tax Support (CTS) and
other types of council tax fraud (discounts and exemptions).

Details of the SPD exercise are shown below.

9. As the Council increases the Council Tax for Empty properties, it is likely that the risk of fraud in this area has increased. The Council's strategic partner reviews the status of empty residential properties on a regular basis.

Housing Benefit & Council Tax Support

10. During 2022/23 the Council paid £22.3m in Housing Benefit (HB) and £9.3m in Council Tax Support (CTS).
11. The Council is no longer responsible for the investigation of HB fraud, but it is responsible for referral of potential fraud cases and the collection of amounts identified as fraud. It is still considered a risk as the financial loss of benefit is borne by councils once the investigation is complete.
12. Over the previous 12 months, there have been 9 referrals made to the Single Fraud Investigation Service (SFIS) and there has been 1 request for information from the SFIS. During 2022/23, £357k of Housing Benefit has been identified as overpaid.

Business Rates

13. Business rates fraud can include the falsification of circumstances to gain exemptions and discounts.
14. To mitigate this risk, empty non-domestic properties are examined by area on a rota-based system or on request of the Business Rates Officer. Websites such as National Heritage and the Charity Commission are checked to ensure that businesses are entitled to the discount. Discretionary relief can only be approved by the Director of Resources.
15. Social media accounts and internet searches are used to obtain background information. Neighbouring authorities are liaised with to verify residence or occupancy.

Housing Tenancy Fraud

16. There has been an increase in the number of tenancy frauds taking place. Tenancy fraud does not directly affect Burnley Borough Council as it no longer has responsibility for social housing. Continued participation with the National Fraud Initiative means we share benefit information with Housing Associations which could assist them in identifying tenancy fraud.
17. The Council is part of the regional choice based letting scheme which has 5 local authorities and 16 registered social landlords. Information is shared with other partners in the scheme.

Procurement

18. Procurement continues to be one of the greatest areas of fraud risk. To mitigate the risk, the Council has Codes of Conduct for Employees and Members, Financial Procedure Rules and Standing Orders for Contracts in place. The purchasing system has built-in approval thresholds and there is a separation of duties between orders and goods received. There are tender evaluation models and a facility for an on-line secure tender receipt. Financial checks are undertaken relative to the risk/value i.e. company house checks and credit rating checks.
19. On certain larger value procurements (and dependent on the procurement route), contractor financial checks are undertaken in terms and a Selection Questionnaire is completed with mandatory and discretionary exclusion criteria looking at issues around bankruptcy, convictions, non-payment of tax, etc.

Insurance Fraud

20. This fraud includes any false insurance claim made against an organisation or an organisation's insurer.
21. Insurance claims are dealt on our behalf by Pendle Borough Council. Claims are sent to them, and they liaise with the insurers. The Council's Insurers log all claims on a national database and cross check claimants to see if they have claimed before. Insurers also check addresses and accident location against other claims. This is a continuous process throughout the life of the claim as other red flag alerts might come up, e.g. dubious medical records etc.

Grant Fraud

22. This type of fraud relates to the false application or payment of grants or financial support to any person and any type of agency or organisation.
23. Various types of grants awarded by the Council were examined. Controls included procedural notes, separation of duties and obtaining supporting documentation.
24. There are controls in place in regard to bank mandate fraud.

Recruitment Fraud

25. Measuring the cost of this type of fraud is quite difficult. The cost can include the impact of reputational damage, on top of the actual costs of further recruitment and investigating the fraud.
26. The council requires that any person involved in the recruitment of employees must firstly attend training. There is a policy and toolkit available on the website to provide guidance.
27. Original documentation is examined, and photocopies are held for both ID and qualifications. Whilst it is not Council policy, some managers check applicants on professional membership websites, where applicable. An internal (RS3) form is completed by the managers to confirm that ID and qualification checks have been carried out and this is passed to HR.
28. HR Administration team ensures that references, DBS (previous conviction checks which are required for certain jobs) and medical clearances are obtained prior to sending a formal offer.

Payroll Fraud

29. A quarterly audit is carried out. A spreadsheet, detailing pay grades of current staff and any staff changes, is sent to the Heads of Service for review and authorisation.
30. Notifications are issued automatically if changes are made employee details on the HR21 system.
31. A monthly audit is carried out by HR staff in Liberata to ensure Performance Indicators are met.

Outsourced Functions

32. Where services/functions had been outsourced, contracts were examined to establish if controls were in place in regards to fraud and corruption.

Cyber Risk

33. The 2021 Financial Cost of Fraud report by Crowe estimates the cost of fraud to the UK is between £137bn - £190bn a year.
34. Cyber fraud can occur in several ways. The main areas are – Social engineering, Software weaknesses and malware. Social engineering comes by attacking users to get them to provide their log in credentials so that a hacker can gain access to the system. Software is continually attacked and weaknesses are exposed which can be exploited by hackers to again gain access to systems and data. Malware continues to be a threat, in particular Ransomware, malicious code is introduced onto the computers, and this then encrypts data and/or software and a ransom payment is requested to unencrypt the system.
35. The council must ensure that it keeps up to date with the approaches to prevent this fraud. Staff training and awareness is an important tool against social engineering so that phishing e-mails etc are not opened. In addition, e-mail scanning and website blocking is also employed. There are various policies and procedures in place.

36. We keep software up to date with patches which are issued to address known software weaknesses. The Council operates firewalls on computers to prevent access which would enable the introduction of malware on to the system. All these controls act to prevent cyber fraud against the council.

Organised Crime

37. Organised crime often involves complicated and large-scale fraudulent activity which crosses to areas such as insurance claims, business rates, procurement, etc. Cases involving organised crime come from all types of local authorities. It is important that there is co-ordination and information sharing in tackling this type of fraud as well as the various arrangements which reduce the risk of fraudulent activity taking place. The Council's arrangements to prevent money laundering are important in this area. Our experience with organised crime is limited, although we are aware that we will be targeted, and we did have some exposure with Covid Grants where we cooperated with the Central investigation team.

38. The council cooperates with police investigations into modern slavery and people trafficking.

NAFN (National Anti-Fraud Network)

39. The Council is a member of NAFN. This is a national organisation which is specific to local authority fraud. They provide data and intelligence services supporting members in protecting the public purse from fraud, abuse and error.

National Fraud Initiative (NFI)

40. The Council is required to participate in the National Fraud Initiative in a national exercise every two years. The Council submitted its data in October 2022 and most of the matches from the exercise were released in February 2023. Some were released later and those were processed as they were released.

41. The various services checked the matches as suggested by the Cabinet Office who run the NFI. The quality of the reports and if they are considered as 'key' reports, are recorded and a risk score is provided for the majority of matches.

42. The outcomes to the end of November 2023 are shown as detailed in appendix 1. There were 905 matches, of which 693 were processed. There were 18 cases in progress, and in total 48 errors were identified. None were identified as fraud. In total £53,818.17 was identified as recoverable. The Cabinet Office also provides an additional estimate of £108,927.88, which includes a longer-term impact cost of the outcome. This provides a total of £162,746.05.

Single Person Discount 2023-24

43. The Council's strategic partner Liberata undertook a full review of the single person discount (SPD) claimants.

The results are in the tables below;

Stage	Case Count
Initial Canvas	1,570
Reminder Letter	555

Outcome Type	Case Count	%
Change In Discount/Exemption	2	<1%
SPD Removed	335	21%
SPD Valid Case	1221	78%
Investigations Ongoing	12	<1%

44. Of the 335 SPDs removed:

- 264 removed as the customer failed to respond to the review.
- 71 removed upon notification of an undeclared household member or partner.

45. SPD is 25% of the current charge and full rate for a Band A property is currently £372.74. This would be an increased charge of £124,868 for all removed discounts at full rate Band A properties. The council receives 15% of Council Tax collected so Burnley's proportion of this would be £18,730.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

46. None as a direct result of this report, however losses to fraud have a direct impact on the Council's finances.

POLICY IMPLICATIONS

47. The Council has a Corporate Anti-Fraud, Bribery and Corruption Policy and an Internal Audit Strategy.

DETAILS OF CONSULTATION

48. None

BACKGROUND PAPERS

49. Annual Fraud Indicator 2023 (Crowe, Peters & Peters and University of Portsmouth)
[Annual Fraud Indicator | Crowe UK](#)
50. The Financial Cost of Fraud 2021
<https://www.crowe.com/uk/insights/financial-cost-fraud-data-2021>
51. Fraudscape 2023 6 month update (CIFAS)
[Fraudscape 2023 - Cifas](#)
52. Cyber Security Breaches Survey 2023 (Department for Science, Innovation and Technology)
[Cyber security breaches survey 2023 - GOV.UK \(www.gov.uk\)](#)
53. Tackling fraud and corruption against government 2023 (National Audit Office)
[Tackling fraud and corruption against government - National Audit Office \(NAO\) report](#)
54. Tackling fraud in the public sector - a local government perspective 2020 (Perpetuity Research & Consultancy International (PRCI) Ltd)
[Microsoft Word - CIPFA Final Report March 2020.docx \(perpetuityresearch.com\)](#)

FURTHER INFORMATION

PLEASE CONTACT:

Salma Hussain (01282) 477174

ALSO:

Ian Evenett (01282) 477175

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ID	Data Check Key	Report Title	Total All	Report Status	Process	In Progr	Frauds	Errors	Outcome	Cabinet Office Est	Overall Total	Report Quality		
	26	Between	Key	Housing Benefit Claimants to Student Loans	4	Closed	4	0	0	2	£7,871.76	£4,095.07	£11,966.83	High
	26	Within		Housing Benefit Claimants to Housing Benefit Claimants	1	Closed	1	0	0	1	£13,986.86	£6,200.84	£20,187.70	High
	27	Between		Housing Benefit Claimants to Housing Benefit Claimants	1	Closed	1	0	0	0	£0.00	£0.00	£0.00	High
	29.1	Between		Housing Benefit Claimants to Housing Benefit Claimants - Phone Number	1	Closed	1	0	0	0	£0.00	£0.00	£0.00	High
	31	Between	Key	Housing Benefit Claimants to Housing Tenants	1	Closed	1	0	0	0	£0.00	£0.00	£0.00	High
	47.1	Within		Housing Benefit Claimants to Taxi Drivers	4	Closed	4	0	0	0	£0.00	£0.00	£0.00	High
	47.2	Between	Key	Housing Benefit Claimants to Taxi Drivers	7	Closed	7	0	0	0	£0.00	£0.00	£0.00	High
	49.1	Within	Key	Housing Benefit Claimants to DWP Deceased	16	Closed	16	0	0	0	£0.00	£0.00	£0.00	High
	66	Between	Key	Payroll to Payroll	7	Closed	7	0	0	0	£0.00	£0.00	£0.00	High
	78	Between		Payroll to Pensions	1	Closed	1	0	0	0	£0.00	£0.00	£0.00	Info
	81	Within	Key	Payroll to Creditors	4	Closed	4	0	0	0	£0.00	£0.00	£0.00	Address
	91	Between	Key	Housing Benefit Claimants to Waiting List	16	Closed	16	0	0	0	£0.00	£0.00	£0.00	High
	231	Between	Key	Waiting List to Housing Tenants	3	Closed	3	0	0	0	£0.00	£0.00	£0.00	High
	233	Between		Waiting List to Housing Tenants	2	Opened	1	0	0	0	£0.00	£0.00	£0.00	Medium
	240	Within		Waiting List to Housing Benefit Claimants	38	No Comments	0	0	0	0	£0.00	£0.00	£0.00	High
	241	Between	Key	Waiting List to Housing Benefit Claimants	25	No Comments	0	0	0	0	£0.00	£0.00	£0.00	High
	256	Within		Waiting List to Waiting List	1	Closed	1	0	0	1	£0.00	£4,283.00	£4,283.00	High
	257	Between	Key	Waiting List to Waiting List	28	No Comments	0	0	0	0	£0.00	£0.00	£0.00	High
	261	Within	Key	Waiting List to DWP Deceased	21	Closed	21	0	0	19	£0.00	£81,377.00	£81,377.00	High
	437	Between		Council Tax Reduction Scheme to Amberhill Data	2	Closed	2	0	0	0	£0.00	£0.00	£0.00	High
	435	Within		Council Tax Reduction Scheme to Payroll	2	Closed	2	0	0	0	£0.00	£0.00	£0.00	High
	436	Between	Key	Council Tax Reduction Scheme to Payroll	55	Closed	55	0	0	7	£10,995.08	£4,747.05	£15,742.13	High
	439.1	Between	Key	Council Tax Reduction Scheme to Pensions	141	Opened	139	2	0	11	£10,412.39	£5,726.82	£16,139.21	High
	440	Between	Key	Council Tax Reduction Scheme to Payroll	16	Closed	16	0	0	1	£249.12	£237.60	£486.72	Address
	440	Between	Key	Council Tax Reduction Scheme to Pensions	15	Closed	15	0	0	1	£117.13	£94.05	£211.18	Address
	445	Within		Council Tax Reduction Scheme to Council Tax Reduction Scheme	1	Closed	1	0	0	1	£1,346.77	£705.87	£2,052.64	High
	446	Between	Key	Council Tax Reduction Scheme to Council Tax Reduction Scheme	12	Closed	12	0	0	1	£2,372.09	£705.87	£3,077.96	High
	450	Between	Key	Council Tax Reduction Scheme to Housing Tenants	3	Closed	3	0	0	0	£0.00	£0.00	£0.00	High
	452	Between		Council Tax Reduction Scheme to Housing Tenants	1	Closed	1	0	0	0	£0.00	£0.00	£0.00	Medium
	459.1	Within		Council Tax Reduction Scheme to Taxi Drivers	36	Opened	35	1	0	1	£2,596.97	£754.71	£3,351.68	High
	459.2	Between	Key	Council Tax Reduction Scheme to Taxi Drivers	28	Closed	28	0	0	0	£0.00	£0.00	£0.00	High
	459.6	Between		Council Tax Reduction Scheme to Taxi Drivers	1	Closed	1	0	0	0	£0.00	£0.00	£0.00	Address
	476	Within		Council Tax Reduction Scheme to Housing Benefit Claimants	5	Closed	5	0	0	0	£0.00	£0.00	£0.00	High
	477	Between	Key	Council Tax Reduction Scheme to Housing Benefit Claimants	4	Closed	4	0	0	0	£0.00	£0.00	£0.00	High
	482	Within	Key	Council Tax Reduction Scheme to DWP deceased	31	Closed	31	0	0	0	£0.00	£0.00	£0.00	High
	483	Between	Key	Council Tax Reduction Scheme to HMRC Property Ownership	73	Opened	12	15	0	0	£0.00	£0.00	£0.00	High
	483.1	Between	Key	Council Tax Reduction Scheme to HMRC Earnings and Capital	10	No Comments	0	0	0	0	£0.00	£0.00	£0.00	High
	483.2	Between	Key	Council Tax Reduction Scheme to HMRC Household Composition	44	No Comments	0	0	0	0	£0.00	£0.00	£0.00	High
	700	Within		Duplicate creditors by creditor reference	1	Closed	1	0	0	0	£0.00	£0.00	£0.00	High
	701	Within		Duplicate creditors by creditor name	1	Closed	1	0	0	0	£0.00	£0.00	£0.00	High
	702	Within		Duplicate creditors by address detail	13	Closed	13	0	0	0	£0.00	£0.00	£0.00	High
	703	Within		Duplicate creditors by bank account number	2	Closed	2	0	0	0	£0.00	£0.00	£0.00	High
	707	Within		Duplicate records by reference, amount and creditor reference	35	Closed	35	0	0	1	£2,736.00	£0.00	£2,736.00	High
	708	Within	Key	Duplicate records by amount and creditor reference	164	Closed	164	0	0	0	£0.00	£0.00	£0.00	High

ID	Data Check Key	Report Title	Total All	Report Status	Process	In Progr	Frauds	Errors	Outcome	Cabinet Office Est	Overall Total	Report Quality
709	Within	VAT overpaid	6	Closed	6	0	0	0	£0.00	£0.00	£0.00	High
711	Within	Key Duplicate records by invoice number and amount but different creditor reference and name Duplicate records by postcode, invoice amount but different creditor reference and invoice number and date	13	Closed	13	0	0	1	£1,134.00	£0.00	£1,134.00	High
713	Within	Key	1	Closed	1	0	0	0	£0.00	£0.00	£0.00	High
750	Within	Key Procurement - Payroll to Companies House (Director)	4	Closed	4	0	0	0	£0.00	£0.00	£0.00	High
752	Within	Key Procurement - Payroll to Companies House (Director)	4	Opened	3	0	0	0	£0.00	£0.00	£0.00	Address
9999	Within	Multiple occurrence report	43	No Comments	0	0	0	0	£0.00	£0.00	£0.00	Info
TOTAL			905		693	18	0	48	£53,818.17	£108,927.88	£162,746.05	

ITEM NO	[AgendaItem]
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External Review Report

REPORT TO AUDIT AND STANDARDS COMMITTEE



DATE	14/12/2023
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Ian Evenett
TEL NO	01282 425011 Ext 7175
EMAIL	ievenett@burnley.gov.uk

PURPOSE

1. To inform members of the progress on the External Review of Internal Audit action plan.

RECOMMENDATION

2. The Committee considers the report and comments on the planned actions.

REASONS FOR RECOMMENDATION

3. Members can monitor the performance of the Internal Audit Section.

SUMMARY OF KEY POINTS

4. The committee received a copy of the External Peer Review and requested regular updates on the progress of the actions.
5. Below are the original plan contents (Appendix 1) and a progress update in Appendix 2.
6. At the request of the committee dates have been included either as completed or as targets for completion.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

7. None

POLICY IMPLICATIONS

8. The provision of an effective internal audit service is a statutory requirement as is compliance with proper practice as defined in the PSIAS.

DETAILS OF CONSULTATION

9. None

BACKGROUND PAPERS

10. None

FURTHER INFORMATION	
PLEASE CONTACT:	Ian Evenett (Internal Audit Manager) Ext
ALSO:	7175

Burnley Council Internal Audit Service – PSIAS Action Table Appendix 1

The following points for consideration to develop the Audit Service arise from the review undertaken:

No.	PSIAS Ref	Report ref	Point For Consideration	Responsible	Action
1	1100 Independence and Objectivity	10,11,16	<p>Burnley Council should consider how they wish to address the non-conformance with the Public Sector Internal Audit Standard 1100 in relation to the independence and objectivity of the Chief Audit Executive.</p> <p>In addition, the Council should also seek the views of their external auditors and gain an understanding of the impact of the non-conformance.</p>	Head of Finance and Property	<p>The Chief Audit Executive role will be assigned to the Internal Audit Manager as this removes the main risk of independence and objectivity from this role. The views of the External Auditor will be sought and the understanding of this non-conformance will be considered.</p>
2	1100 Independence and Objectivity 1200 Proficiency and Due Professional Care	16,23	<p>The Council should ensure that all future arrangements to achieve independence are accurately reflected in the Internal Audit Charter and that all Audit and Standards agenda items and minutes reference the CAE as the author.</p> <p>Furthermore, any future arrangements should ensure that the CAE is professionally qualified and suitably experienced.</p>	Head of Finance and Property	<p>The CAE arrangements will be reflected in the Internal Audit Charter and Strategy. The CAE will be referenced as the author in all items which relate to the roles of the CAE. The Council will work towards an early achievement of the qualification requirement.</p>

No.	PSIAS Ref	Report ref	Point For Consideration	Responsible	Action
3	1100 Independence and Objectivity	18	In order to comply with all aspects of the purpose and positioning standards, the CAE should participate and ensure that the Audit & Standards Committee undertake a review of its own remit and effectiveness using the latest guidance issued by CIPFA.	CAE and Democracy Team	This process is underway and the CAE will participate in this process, using the latest CIPFA Guidance.
4	1100 Independence and Objectivity	18	The CAE should also assist the Audit and Standards Committee in assessing their collective skills and knowledge and identify any training needs. A comprehensive training plan should be developed to address any identified skills and knowledge gaps.	CAE and Democracy Team	The Council, with the participation of the CAE, will assess the collective skills and knowledge of the Audit and Standards Committee members to identify any training needs which will be developed into a training plan to address any skills and knowledge gaps.
5	1100 Independence and Objectivity	19	The CAE should ensure that reports presented to the Audit and Standards Committee are accurate and free from errors and omissions. Reports should be sufficiently detailed to allow the Audit and Standards Committee to gain an understanding of how the internal audit service will fulfil its objectives.	CAE Chair of Audit and Standards Committee	The CAE will ensure that reports they present to the Audit and Standards Committee related to Internal Audit are accurate and free from errors and omissions. The format and details in reports will be agreed with the Chair of the Audit and Standards Committee to improve the understanding of how the internal audit service fulfils its objectives.

No.	PSIAS Ref	Report ref	Point For Consideration	Responsible	Action
6	1000 Purpose, Authority and Responsibility	33	The Audit Charter should be expanded to include the functional reporting relationship of the CAE with the Audit and Standards Committee.	CAE	The Audit Charter and Strategy will be revised to reflect the changes to include the functional reporting relationship of the CAE with the Audit and Standards Committee.
7	2010 Audit Planning	20	<p>The CAE should ensure that the risk-based plan presented to the Audit and Standards Committee is an accurate reflection of the Internal Audit planning documentation / risk assessment.</p> <p>Evidence needs to be retained to demonstrate that the plan has been produced with due regard to the Council's Corporate Plan, Corporate Risk Register and high-risk areas in individual Council services.</p>	CAE	<p>The risk-based plan will be clearly linked to the Strategic Plan, Strategic Risk Register and risk areas identified from the Services. Evidence of this will be retained.</p>
8	2010 Audit Planning	34,35	<p>The Plan should also clearly articulate resources required to complete the reviews and the priority order of the agreed work.</p> <p>The plan should also reflect any agreed consultancy work.</p> <p>This should be presented and agreed by senior management prior to being presented to the Audit and Standards Committee.</p>	CAE	The Plan will clearly record the estimated resources available to complete the reviews with the priority order.

No.	PSIAS Ref	Report ref	Point For Consideration	Responsible	Action
9	2050 Other Sources of Assurance	22	The CAE should ensure that the risk-based plan includes an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources.	CAE	Any other sources of assurance will be identified, evaluated and, where reliance can be placed on these, will be considered as part of the assurance process.
10	1300 Quality Assurance and Improvement Programme	24	As identified during the 2017 review, the Peer Review Team found that the Quality Assurance and Improvement Programme (QAIP) whilst technically in existence lacked detail. The QAIP could contain more detail on how issues that do not conform with the Standards would be addressed to enable future compliance.	CAE	The QAIP will include detail of how the authority will address issues and will contain more detail on how issues that do not conform will be addressed.
11	2040 Policies and Procedures	36	The CAE should ensure that all policies and procedures to guide the internal audit are reflective of the PSIAS and that they are regularly reviewed and updated.	CAE	The Audit manual will be updated to ensure that the policies and procedures reflect the PSIAS requirements.
12	2200 Engagement Planning	25,26	Risks identified at the scoping stage should be based upon the current risks facing the Service rather than using standard risk and control matrices. Adopting this approach will ensure assurance is provided on current business risks which will therefore provide added value to the service	CAE	Auditors will be reminded of the requirements to engage with Auditees to identify the current risk issues and to agree these with Auditees.

No.	PSIAS Ref	Report ref	Point For Consideration	Responsible	Action
			manager.		
13	2300 Engagement Delivery & 2400 Reporting	27,28	<p>The CAE should ensure that all working papers contain sufficient, reliable, relevant and useful information which supports engagement results and conclusions in all instances.</p> <p>The internal quality control process as detailed in the QAIP should be applied in all instances.</p>	CAE	Reviewers will be reminded of the requirement to support the finding clearly in the working papers.
14	2450 Overall Opinion	29,30	<p>The CAE should ensure that the Internal Audit opinion is based upon sufficient evidenced work to form a supportable conclusion.</p> <p>If it is deemed that insufficient work has been completed, the Annual opinion report should be worded to reflect this.</p>	CAE	The CAE will ensure that the Internal Audit opinion is in compliance with the required Standard 2450.
15	2450 Overall Opinion	31,32	<p>The annual opinion report should reference the adequacy and effectiveness of the organisation's control, governance and risk management arrangements.</p> <p>The report should also incorporate all the requirements as set out in Standard 2450.</p>	CAE	The CAE will ensure that the Internal Audit opinion is in compliance with the required Standard 2450.

No.	Responsible	Action	Progress
1	Head of Finance and Property	The Chief Audit Executive role will be assigned to the Internal Audit Manager as this removes the main risk of independence and objectivity from this role. The views of the External Auditor will be sought, and the understanding of this non-conformance will be considered.	This is complete. March 2023 Whilst the External Auditor is aware of the report, formal views on this area have not been sought at this stage.
2	Head of Finance and Property	The CAE arrangements will be reflected in the Internal Audit Charter and Strategy. The CAE will be referenced as the author in all items which relate to the roles of the CAE. The Council will work towards an early achievement of this requirement.	The Audit Charter is presented to this Committee. This is complete. July 2023 In Progress – Mar 2024
3	CAE and Democracy Team	This process is underway, and the CAE will participate in this process, using the latest CIPFA Guidance.	The review against the CIPFA guidance is reported to this meeting. Mar 2024
4	CAE and Democracy Team	The Council, with the participation of the CAE, will assess the collective skills and knowledge of the Audit and Standards Committee members to identify any training needs which will be developed in to training plan to address any skills and knowledge gaps.	An assessment of the training needs for the Committee is reported to the committee. Mar 2023
5	CAE Chair of Audit and Standards Committee	The CAE will ensure that reports they present to the Audit and Standards Committee related to Internal Audit are accurate and free from errors and omissions to the best of their abilities. The format and details in reports will be agreed with the Chair of the Audit and Standards Committee to improve the understanding of how the internal audit service fulfils its objectives.	Error checking is in place. Jul 2023 Discussions of the content of reports with the chair in place – comments on the format and

No.	Responsible	Action	Progress
			details will be incorporated into future reports. On Going
6	CAE	The Audit Charter and Strategy will be revised to reflect the changes to include the functional reporting relationship of the CAE with the Audit and Standards Committee.	The Audit Charter is reported to this Committee. Sept 2023
7	CAE	The risk-based plan will be clearly linked to the Strategic Plan, Strategic Risk Register and risk areas identified from the Services. Evidence of this will be retained.	This is in progress. Feb 2024
8	CAE	The Plan will clearly record the estimated resources to complete the reviews with the priority order.	This has been included in the Audit Plan for 2023/24. April 2023
9	CAE	Any other sources of assurance will be identified and evaluated and where reliance can be placed on these this will be considered as part of the assurance process.	Health and Safety work is the only other source of assurance identified. This will be reviewed during the year to ensure that reliance can continue to be placed. Mar 2024
10	CAE	The QAIP will include the detail of how the authority will address issues of that do contain more detail of how issues that do not conform will be addressed.	The QAIP is reported to this Committee Sept 2023
11	CAE	The Audit manual will be updated to ensure that the policies and procedures reflect the PSIAS requirements	This is in progress. Mar 2024

No.	Responsible	Action	Progress
12	CAE	Auditors will be reminded of the requirements to engage with Auditees to identify the current risk issues and to agree these with Auditees.	This has been done Sept 2023
13	CAE	Reviewers will be reminded of the requirement to support the finding clearly in the working papers.	This has been done. Sept 2023
14	CAE	The CAE will ensure that the Internal Audit opinion is in compliance with the required standard 2450.	The opinion includes a comment on the sufficiency of the work completed. Jul 2023
15	CAE	The CAE will ensure that the Internal Audit opinion is in compliance with the required standard 2450.	The 2022/23 opinion has been revised to incorporate the standards requirements for opinion on internal control, risk management and governance. Jul 2023

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AUDIT & STANDARDS COMMITTEE

Work Programme 2023/24 – as at 20th June 2023

DATE OF MEETING	AREAS TO BE CONSIDERED
20 th July 2023	<ul style="list-style-type: none"> • External Audit Annual Auditor Report 2021/22 (includes VfM) • External Audit Plan 2022/23-Grant Thornton • Annual Governance Statement 2022/23 • Strategic Risk Register 2023/24 • Internal Audit Opinion 2022/23 • Internal Audit Plan 2023/24 • Internal Audit Peer Review Progress against Recommendations • Standards Complaints Update • Work Programme 2023/24
28 th September 2023	<ul style="list-style-type: none"> • Audit Findings 2022/23 and Annual Statement of Accounts 2022/23 • Annual Governance Statement 2022/23 • Internal Audit Progress Report 2023/24 Q1 • Internal Audit Peer Review Progress against Recommendations • CIPFA Audit Committee Guidance • Internal Audit Charter and QAIP • Work Programme 2023/24
14 th December 2023	<ul style="list-style-type: none"> • External Audit Annual Auditor Report 2022/23 (includes VfM) • Annual Governance Statement 2023/24 Arrangements • Internal Audit Progress Report 2023/24 Q2 • Fraud Risk Assessment 2023/24 • Strategic Risk Register 2023/24 • Internal Audit Peer Review Progress against Recommendations • Standards Complaints Update – Moved to March 24 • Review of Code of Conduct for Elected Members (LGA Model Code) – Moved to March 24 • Work Programme 2023/24
20 th March 2024	<ul style="list-style-type: none"> • Internal Audit Progress Report 2023/24 Q3 • Regulation of Investigatory Powers Act – Annual Return • External Audit Plan 2023/24 – Mazaars • Standards Complaints Update - Moved from December 23 (previously February 24) • Review of Code of Conduct for Elected Members (LGA Model Code) - - Moved from December 23 (previously February 24)

	<ul style="list-style-type: none">• Work Programme 2023/24