

Auditor's Annual Report on Burnley Borough Council

2021-22

April 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
Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources	5
Financial sustainability	6
Governance	9
Improving economy, efficiency and effectiveness	15
Opinion on the financial statements	23
Appendices	
A – The responsibilities of the Council	
B – Risks of significant weaknesses – our procedures and conclusions	
C – An explanatory note on recommendations	
D – Use of formal auditor's powers	

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

Executive summary



Value for money arrangements and recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Service 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 2021/22 is the second 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. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	Risk identified because of the potential medium term cumulative funding gap of £3.4m over the 2023/27 period.	No significant weaknesses in arrangements identified, but 1 improvement recommendation made.	No significant weaknesses in arrangements have been identified, but improvement recommendation remains.	↔
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but 2 improvement recommendations made.	No significant weaknesses in arrangements have been identified, but 3 improvement recommendations made.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but 5 improvement recommendations made.	No significant weaknesses in arrangements have been identified, but 5 improvement recommendations made.	↔

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

Executive summary

Financial sustainability



We identified one risk of significant weakness around financial sustainability arrangements at the Council due to continuing uncertainty over future government funding and a potential £3.4m cumulative budget gap over the 4 year MTFS period 2023/27, assuming a 2% reduction in core spending.

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

Further detail can be found on pages 6 to 8.



Governance

We assessed the Authority's governance arrangements across a number of areas including leadership, risk management, financial reporting and management and informed decision making. We found no evidence of a significant weakness in the Authority's arrangements for ensuring they have made informed decisions and properly manage its risks. We have raised 2 improvement recommendations, 1 of which had not been implemented since our 2020/21 report. Our findings are set out in further details on pages 9 to 14.



Improving economy, efficiency and effectiveness

The Authority have effective arrangements in place for improving economy, efficiency and effectiveness. We did not identify any risks of significant weaknesses in the Authority's arrangements in place for improving economy, efficiency and effectiveness. We have repeated 4 of our improvement recommendations raised in our 2020/21 report which have not been addressed. Our findings are set out in further details on pages 15 to 23.



We have completed our audit of your financial statements and issued an unqualified audit opinion on 29 November 2022, following the Audit and Standards Committee meeting on 16 November 2022. Our findings are set out in further detail on page 22.



Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

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

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

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

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



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas is set out on the following pages. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial year 2021-22

The Council's revenue budget 2021/22 was approved in February 2021 in the midst of the Covid-19 global pandemic. It required the Council to deliver £182k savings to arrive at a balanced budget position. The financial pressures in responding to the pandemic have been significant for councils with the Government mitigating the impact of this with additional grant funding in 2021/22.

The Council reported in its final statement of accounts 2021/22 an overall revenue breakeven position after a contribution to earmarked reserves of £1.349m.

The Council monitored the impact of the revenue budget and Covid 19 pressures through quarterly financial monitoring reports to Executive and Council. Reports provided the forecast outturn positions and the impacts arising from Covid-19.

The Council operates delegated financial management arrangements. Each budget area is delegated to a Head of Service who review their budgets monthly and are accountable for the effective delivery of financial management which is integral to achieving strategic objectives and meeting service delivery priorities. Heads of Service provide information and details of any actual or anticipated significant variations between spending, income and budgets. When there is any underperformance against budget then Heads of Service put in place corrective action plans to ensure the budget gets back on track by the end of the financial year.

Medium term financial position

The Council produced its revenue budget 2022/23 in February 2022 alongside its Medium-Term Financial Strategy (MTFS) 2023/24 to 2026/27. The 2022/23 budget includes key assumptions on funding streams, pay and expenditure inflation, areas of growth and savings requirements. The total savings requirement is £889k, which includes £750k usually contributed to the Transformation Reserve to balance the budget.

The MTFS identified a cumulative budget gap of £3.4m over the 4 year period (£2.5m cumulative savings up to 2025/26 and then a further £0.9m in 2026/27) based on an estimated 2% reduction in core spending power.

The Council presented a mid year MTFS update to Executive for the 3 year period 2023/24 to 2025/26 in September 2022. This reduced the budget gap by £0.2m to £2.3m over the period (as shown in the table).

The MTFS update included revised assumptions for anticipated additional Government funding (rather than previous forecast average 2% reduction in core spending power) to help mitigate the impact of the current high levels of inflation and the proposed pay award for 2022/23. The update also included revised sensitivity analysis of a 0%, 2% and 6% increase in core spending. Future estimates have also been updated to incorporate the increasing cost of inflation. The MTFS update recognises that annual settlements and the lack of longer term assurances over funding make financial planning more short-term in its focus.

MTFS after savings proposals September 2022

MTFS	23/24 £'000	24/25 £'000	25/26 £'000	Total £000
Budget gap (assuming average 4% increase in core spending power)	1,259	496	543	2,298
Savings identified	198	23	-	221
Remaining budget gap	1,061	473	543	2,077

(Source: revenue budgets 2023/26 latest position and savings proposals September 2022)

The Council produced its draft revenue budget 2023/24 for approval at Full Council in February 2023. This is based on the provisional local government finance settlement in December 2022 and requires an additional £363k budget savings. The Council has removed its planned £353k annual contribution to the pensions reserve in the event of an adverse triennial valuation to largely meet this budget gap. Also to note is the recognition of limited growth proposals in the budget given the tight financial constraints the Council is operating in.

The Council's process for identifying savings is developed in line with the MTFS. The Executive considers the budget gap for the next three years and the savings approved at previous meetings, those requiring approval and those which no longer may be possible or need to be deferred. The Management Team and Executive attended away days to develop savings proposals and efficiencies.

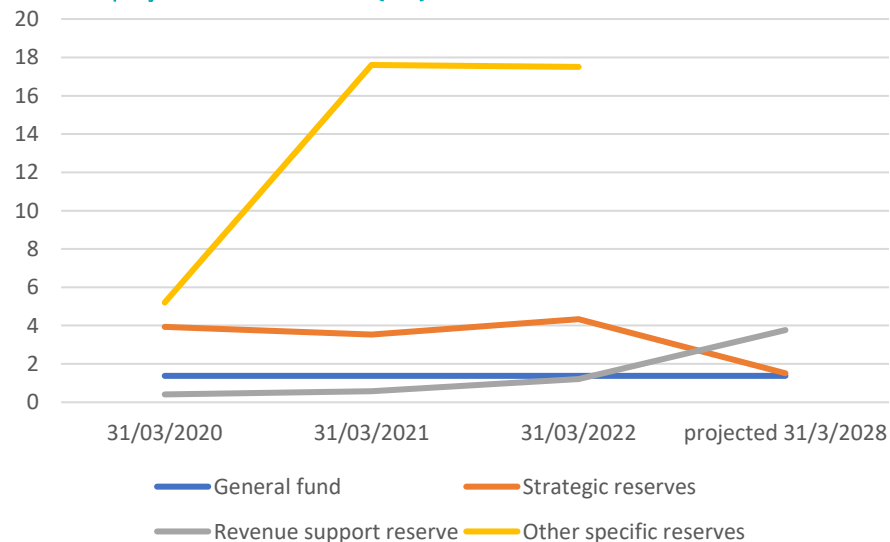
Financial sustainability

The MTFS is continually revisited and in February 2023 the Council set out its revised MTFS 2024/25 to 2027/28 alongside its revenue budget 2023/24. The MTFS headline is revised funding gap of £2.1m (14% of the 2022/23 net budget of £15.3m) over the 4 year period.

The Council presented its third quarterly (Q3) monitoring report 2022/23 to Executive in February 2023 which included an update on the net budget forecast, reserves position and progress with delivery of agreed savings. The report reflects the financial impact of Covid -19 and the cost-of-living crisis in preparing year end forecasting. The Q3 report forecasts a year end net budget underspend of £9k based on latest income and expenditure projections and includes the 2022/23 pay award which is in excess of the original budget assumption of 2.5%. The savings target of £139k included in the budget is on track but the additional corporate salary savings of £169k from not filling posts immediately and £79k in year savings/additional income target are part of the overall continuing uncertainty and future unknowns. The Council report the current cost-of-living crisis will have a long term impact spanning future financial years, with increased costs and income losses.

The Council has £1.175m set aside in a Covid-19 earmarked reserve to help cover for any future shortfalls in income and increases in expenditure which are now starting to materialise as part of the cost of living crisis. The Council continues to monitor the position with heads of service examining any anticipated variations in spending and income against the budget.

Reserves projected to 31/3/2028 (£m)



[Source: medium term financial strategy including reserves forecast to 2027/28
* excluding specific reserves]

General Fund reserves, including specific earmarked reserves, were £24.4m as at 31 March 22 (£23.1m as at 31 March 21). Earmarked reserves include £9.2m Business rates retention volatility reserve to protect the Council against timing differences within the business rates retention system and £1.176m Covid-19 Reserve set aside for future Covid-19 pressures. The Council hold strategic reserves for transformation and growth within its balances of £4.34m (£3.53m at 31 March 2021).

The Council anticipate that a substantial part of the strategic reserves will be at, or below, their recommended minimum level by the end of the MTFS period (see projected reserves position to 31/3/2028 (MTFS 2024/25 to 2027/28)). The reserves position does not include any plans to support the budget gap on an on-going basis. The General Fund reserve is set at £1.379m over the period with the revenue support reserve of £1.2m (at 31 March 22) providing resilience against reduced funding. The Council considers this a prudent level to be set aside to ensure the Council remains financially liquid as a going concern. The Council has a 10 year programme in place to build up its revenue support reserve which is included in the future projection in the MTFS.

The strategic reserves are built up from released savings where possible and used for the specific purpose for which they were set aside. The Council acknowledges it is facing significant financial challenge and the delivery of a balanced budget will require strategic prioritisation, service transformation and continuous improvement.

Overall whilst the Council continues to face significant financial pressures we consider the financial management arrangements are adequate. 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. It will need to ensure it is clear on service prioritisation, areas of improvement focus and develop longer term transformational plans to ensure a balanced budget and delivery of financial stability in the future.

Summary

Overall, we found no evidence of any significant weaknesses in the Council's arrangements for ensuring the Council can continue to deliver financially sustainable services. We have made one improvement recommendation around closely monitoring the delivery of its savings and cost reduction plans as part of the achievement of its Medium Term Financial Strategy (MTFS) and strategic objectives. This is set out on the following page.

Improvement recommendation



Financial sustainability

1 Recommendation	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.
Why/impact	<p>The Council faces future financial pressures from ongoing Covid-19 expenditure and the cost of living crisis. The MTFS 2024/25 to 2027/28 indicates a cumulative £2.1m funding gap over the 4 year period to 2027/28.</p> <p>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.</p>
Auditor judgement	<p>The Council continues to monitor the impact of the revenue budget and the ongoing impact of Covid 19 pressures through regular financial monitoring reports to Executive.</p> <p>The Council recognises that to ensure financial balance in the longer term it will be required to deliver savings through strategic prioritisation, service transformation and continuous improvement.</p>
Summary findings	The Council reported an overall revenue breakeven outturn for 2021/22. General Fund reserves, including earmarked reserves, are £24.4m as at 31 March 22 (£23.1m at 31 March 21). Earmarked reserves include £9.2m Business rates retention volatility reserve to protect the Council against timing differences within the business rates retention system and £1.176m Covid-19 Reserve set aside for future Covid-19 pressures. The Council hold strategic reserves for transformation and growth within its balances of £4.34m (£3.53m at 31 March 2021).
Management comment	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.



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

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Monitoring and assessing risk

The Council has a documented Risk Management Method (RMM) in place which sets out the Council's approach to identifying and managing risk. We commented in our 2020/21 annual report 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 have not updated this during 2021/22 so the recommendation stands.

As noted in our report last year 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. For each risk identified, a risk register template is completed which describes the risk and level, category and owner, the current management of the risk, and the actions required to achieve the target score. The individual service's general risk registers are reported to the Risk Management Group which meets quarterly and is chaired by the Internal Audit Manager.

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 (A&S) and then approved by the Executive.

The SRR (reported September 2022 to A&S) sets out the risk score for each of the 15 identified strategic risks and includes a graph of the likelihood and potential impact for each risk using a 3x3 scoring matrix. A risk for the cost of living crisis (Risk Ref 15 – Cost of Living Crisis) has been added to reflect the specific community impact of increasing inflation and fuel costs in particular. Work to address this risk across the Council is detailed in the latest update report. The SRR also includes the trigger or cause of the risk and possible consequences to the Council. Each risk is then linked to the Council's specific strategic commitments.

We raised a recommendation in 2020/21 that the SRR should include further detail on how each strategic risk is being managed and progress made against the list of strategic commitments.

The Council responded that most of the risks are cross cutting so reporting strategic progress against each risk is likely to lead to a lot of repetition. The Council receives Strategic Objective updates from the Executive and the latest update was taken to the September A&S meeting to provide better clarity on this.

Internal Audit (IA)

Internal Audit report regularly to A&S Committee throughout the year, delivering 24 audit reports against a target of 22. IA also assisted with Business Recovery, Grant schemes, and pandemic recovery as well as continued support on business continuity and risk management.

This work together with other sources of assurance resulted in the Head of Internal Opinion, which concluded that the Council's controls continue to operate effectively. These controls include compliance with policy, separation of duties, authorisation, monitoring and internal checks.

The 2023/24 IA Plan, taken to A&S in March 2023, is built up from discussion with heads of service using a risk based approach. This is to ensure assurance work is focused on risks and priorities, whilst also maintaining audit coverage across all services of the Council.

The Council's 5 yearly external peer review on Public Sector IA Standards (PSIAS) compliance was completed in 2022. This was delivered by two of the Lancashire Local Authorities Heads of Internal Audit to provide an independent assessment of the performance of the Internal Audit Service. The assessment was reported to A&S in March 2023 and concluded the Council were partially compliant with the PSIAS requirements with 21 points 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

Governance

Internal Audit (IA) (continued)

- Little or no reference to current risks within audit engagements
- 15 points for consideration in the services's 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).

Improvement recommendation

The Council should 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.

Audit and Standards Committee

CIPFA issued a new position statement 2022 to address the significant role that an audit committee plays in governance. This represents CIPFA's view on Audit Committee practice and principles that local government bodies in the UK should adopt.

The statement is considered proper practice and the A&S Committee agreed at its July 2022 meeting to review and report their compliance against the position statement including an assessment of its performance on an annual basis. Included in the position statement is the requirement for adequate training and independence of the membership. The January 2023 A&S meeting considered the CIPFA guidance tools and proposed that the Committee includes and undertakes a regular good practice self-assessment exercise as part of its review of effectiveness.

Although we have noted good challenge and knowledge from members at Audit Committee meetings we understand there has been some gaps in training given to new members. We recommend therefore the A&S complete their review against the new position statement for 2022/23 to establish if there are any gaps in their practices which could impact the effectiveness of the Committee.

Improvement recommendation

We recommend the A&S 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.

Budget setting process

The Council has an established process for developing its annual budget and MTFS. The Council's budget is developed in a number of stages with senior officers refining assumptions and funding stream estimates based on up to date intelligence, making

adjustments to the budget gap and developing savings proposals throughout the process. The MTFS documents the risks and assumptions that have been incorporated in to the current years budget and also those identified for future years. The annual budget is informed by these risks and assumptions.

The Council recognise the uncertainties with accurately forecasting funding estimates and includes a range of scenario options in its MTFS to reflect this. This is good practice and clearly sets out potential funding gaps initially based on a 0% Core Spending Power (CSP) reduction (reflecting a one year 'roll-over') and a 2% and 4% CSP reduction (assuming a multi-year settlement). As noted in the financial sustainability section the Council provided a mid-year update to the MTFS (September 2022) to revise some of the assumptions in line with the economic uncertainty with rising levels of inflation and expected funding settlements.

Budgetary control

The system of budgetary control is good.

Budget holders undertake monthly budget monitoring on controllable and salary forecast budgets and report on any movements and savings identified. Any variances are discussed and actions put in place to resolve these. The budget reports (capital and revenue) are reported on a service unit basis.

Responsibility for the delivery of budgets lies with each Head of Service who are supported by individual budget holders. The budget monitoring process is two staged with budget forecasts reviewed by the individual budget holders who identify any amendments required to the forecasts. Heads of Service then examine the proposed forecast amendments and either approve or reject the proposed amendments.

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. This includes the forecast budget position, highlighting movements against budget and actions and areas for concern. The report also provides an update on progress against the budgeted savings targets.

The Council's Scrutiny Committee and Executive provide further challenge on the budget position, MTFS and update reports before these are taken to Full Council for final approval.

The capital monitoring reports provide Members with an update on capital expenditure and the resources position along with highlighting any variances. There is detailed analysis provided for each capital scheme with added commentary on progress.

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

Governance

Treasury management

The Council adheres to the CIPFA Code of Practice on Treasury management and maintains Treasury management policies and practices to manage treasury risks. The Council has a Treasury management statement strategy which is refreshed annually alongside its Prudential Treasury indicators. Scrutiny and Executive receive a mid year and annual report which set out the treasury management activities during the year and provide details on the Council's investments and borrowings.

The Council follows fundamental security, liquidity and risk principles prioritising the security of funds. The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

The Council's investment policy is governed by Ministry of Housing, Communities and Local Government (MHCLG) investment guidance, which sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data. This guidance is enhanced by advice from Link Asset Services.

Internal Audit examined the robustness of the Treasury Management system and controls during 2021/22 and gave comprehensive assurance. We did not note any significant areas of risk in borrowing or investment activity during our final accounts audit 2021/22.

Financial statements

The Council has an experienced finance team in place and despite delays to the completion of the audit for 2020/21 the finance team produced the 2021/22 statements on a timely basis, publishing them on its website in early July 2022.

We reported the findings from our audit in our Audit Findings Report in November 2022, and issued an unqualified opinion on 29 November before the deadline of 30th. The Council are one of only 12% of Authorities nationally who managed this timeframe and we commend them on the timely response to queries and good set of financial statements.

We identified one technical adjustment on an asset included as an Investment Property that should have been classified as other Land and Buildings. This resulted in an additional depreciation charge of £302k through the Council's Comprehensive Income and Expenditure Statement. In addition we reported some disclosure and misclassification adjustments and raised recommendations for management as a result of our audit work.

Leadership and committee effectiveness

The work of the Council's committees is governed by the Constitution which sets out the detailed arrangements for how the Council operates, how decisions are made and the procedures which are followed to make sure that these decisions are made efficiently, in a transparent way and that the authority is accountable to local people.

The Council's Constitution is subject to regular update (the last one being February 2022). It outlines the scheme of delegation in place and contains detailed procedure rules (in part 4) setting out the budget and policy framework and financial and contract procedures rules. Part 5 of the constitution includes Codes and protocols including an employee Code of Conduct and a Code of Conduct for members.

The Council's Constitution outlines the decision making structures and accountability arrangements which governs the work of the committees. The Full Council and Executive are the decision-making bodies of the Council with regulatory committees tasked with decisions delegated to it under the Constitution. The Council's Scrutiny Committee reviews decisions by the Executive and works to improve service delivery.

Maintaining standards

The Council's Annual Governance Statement 2021/22 sets out the key governance processes in operation throughout the Council. The Council's Anti-Fraud, Bribery and Corruption policy is part of the Constitution and is supplemented with fraud awareness training to highlight relevant issues. Complementing the anti-fraud policy is a Council complaints procedure and whistleblowing policy which is regularly reviewed.

The Audit and Standards Committee is responsible for overseeing the investigation of complaints against members if these arise and also for the promotion and maintenance of high standards of conduct.

The Council has documented policies and procedures for declaring all gifts and hospitality which is contained within the Codes of Conduct, made available to all members and relevant staff and meets legislative requirements.

The Council also set out its climate change strategy in 2021/22 and has started to implement the commitments it made to limit Burnley's contribution to global climate change and adapt to its effects.

Summary

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

- Ensuring the risk management method is regularly refreshed
- Monitor the delivery of the PSIAS action plan
- A&S Committee complete its self assessment against the 2022 CIPFA position statement on audit committee effectiveness at the earliest opportunity.

Improvement recommendations



Governance

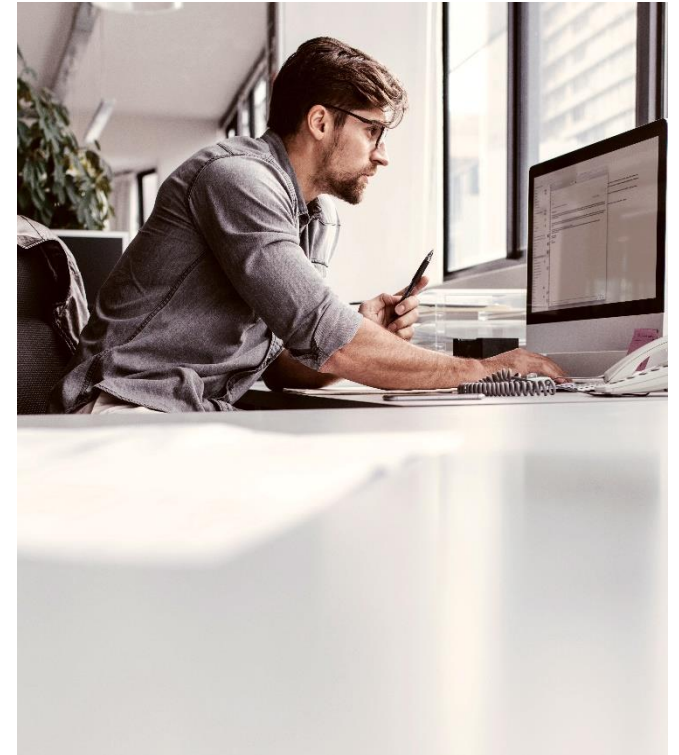
2 Recommendation The Council should revisit its Risk Management method (RMM) on a regular basis to ensure this is up to date and helps it to achieve its vision, ambitions, and priorities.

Why/impact 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.

Auditor judgement The Council has a documented Risk Management Method (RMM) in place which sets out the Council's approach to identifying and managing risk. The current 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.

Summary findings As noted the RMM should be refreshed to ensure the Council has an effective framework in place for the management of its risks that aligns to its strategic intent.

Management comment RMM reviewed and updated.



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

Improvement recommendations



Governance

3 Recommendation 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.

Why/impact The Public Sector IA Standards (PSIAS) were first introduced as required internal audit practices in 2013 to ensure effective standards of Internal Audit. Annually Internal Audit is required to comment on its compliance with the standards and at least once every five years the compliance must be externally assessed.

Auditor judgement 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.

Summary findings The significant observations made in the report within the overall opinion were:

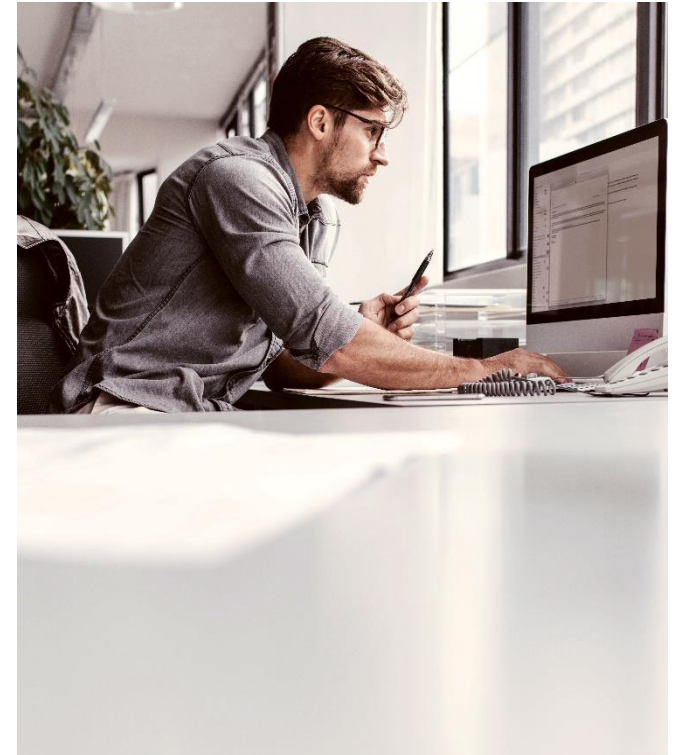
- The s151 officer role as Chief Audit Executive blurs the independence of Internal Audit
- Insufficient coverage of the whole Authority during 2021-22 to support the Annual Internal Audit Opinion
- Little or no reference to current risks within audit engagements
- 15 points for consideration in the services's 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).

Management comment

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 to become 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 Quality Assurance and Improvement Programme will also be referenced in the Audit Plan and reported to Committee through the progress reports.



Improvement recommendations



Governance

4 Recommendation

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.

Why/impact

CIPFA issued a new position statement 2022 to address the significant role that an audit committee plays in governance. This represents CIPFA's view on Audit Committee practice and principles that local government bodies in the UK should adopt.

Auditor judgement

The CIPFA position statement is considered proper practice against which to judge the effectiveness of an audit committee. It is important therefore the Council conduct an assessment against this at the earliest opportunity.

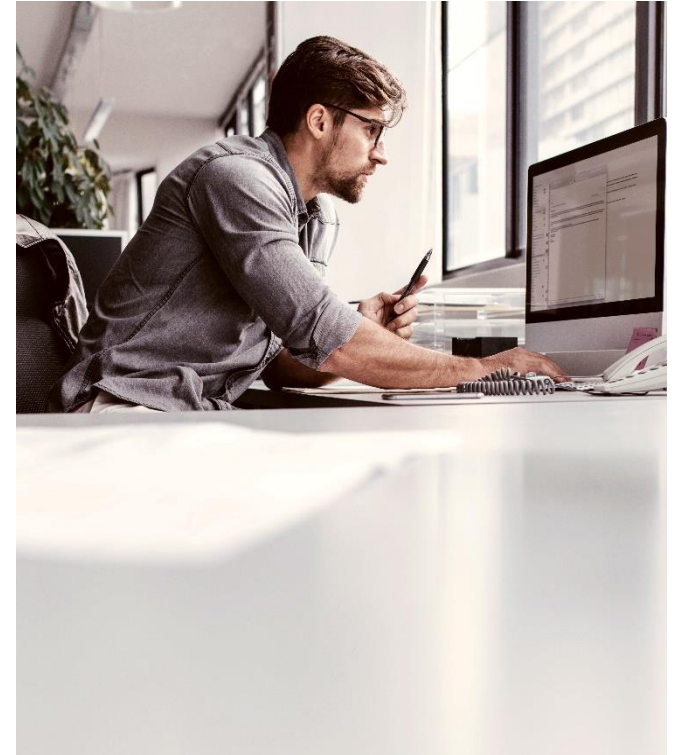
Summary findings

The A&S Committee agreed at its July 2022 meeting to review and report their compliance against the position statement including an assessment of its performance on an annual basis. Included in the position statement is the requirement for adequate training and independence of the membership. The January 2023 A&S meeting considered the CIPFA guidance tools and proposed that the Committee includes and undertakes a regular good practice self-assessment exercise as part of its review of effectiveness.

Management comment

The revised CIPFA Audit Committee Position Statement was presented to members of Audit and Standards Committee at their meeting on 6th July 2022 where it was agreed that members of the Committee would be asked to review the Committee's performance against the CIPFA position statement at the end of the 2022/23 financial year.

Suitable training will be provided to members of Audit & Standards Committee to ensure members are able to provide knowledgeable and effective challenge.



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

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Strategic Plan 2023

The Council's Strategic Plan 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 Plan includes key commitments for each of these themes which directs the Council's future activity. It is reviewed annually with the latest update approved by full Council in February 2023. The Council has refreshed the Plan and restated its commitment to ongoing priorities and also includes; actions to support vulnerable residents with the cost of living, working through new place-based partnerships with NHS and partners for health and working with partners to ensure residents are able to participate in the workforce.

Plan progress updates are reported quarterly to Full Council and set out a narrative update against each strategic commitment priority. We recommended in our 2020/21 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 reports in 2022 noted the report remained unchanged. We therefore repeat this recommendation for 2021/22.

In October 2022 the Council revised its Organisational Development (OD) Strategy 2022 to 2027 which sets out how the Council needs to develop to help it achieve its ambition in the Strategic Plan. The OD Strategy describes the organisational changes the Council needs to make over the next 5-year period through the development of people, processes and technology. The OD Strategy focusses on: Visible and values led leadership, Collaboration and Partnerships and Organisational efficiency and connectivity. Key organisational objectives are included in an action plan with a cross section of employees tasked with progressing the various actions.

The Council also published its Climate Change Strategy 2022/26 in February 2022 that pulls together all the work the Council is doing to limit Burnley's contribution to global climate change and adapt to its effects. The Council will monitor delivery of key actions through its Sustainability Working Group consisting of senior officers from the Council and strategic partners. A formal review of the action plan will be carried out every 12 months to monitor progress and adapt and revise the priority actions.

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.

Performance and performance monitoring

The Council present quarterly monitoring reports throughout the year which included an update on the net budget forecast, reserves position and progress with delivery of agreed savings. The Finance Section verify the financial information provided and the Policy team checks data provided by each service team quarterly for consistency. Performance data is discussed at regular meetings held with the Chief Operating Officer, Management Team, Heads of Service and the Executive Portfolio Holder.

Improving economy, efficiency and effectiveness

The Council uses various methods of targeted benchmarking, for example LG Futures for financial benchmarking data and is currently carrying out a benchmarking exercise in relation to the proposed extension to the Liberata contract using Local Partnerships (a joint venture between LGA and the Treasury). We recommended in 2020/21 the Council expand the use of benchmarking to support members decision making processes and this should be included in performance reporting to full Council. We cannot see the inclusion of these benchmarking exercises in the quarterly reporting on performance. We understand interpretation of data needs to be carefully done but it can prove a useful tool to identify outliers in performance on a wider basis.

We have provided to the Council a financial benchmarking pack 2021/22 which includes selected data drawn from CFO Insights and benchmarking spreadsheets on reserves and borrowing and the CIPFA Financial Resilience Index. The Council has provided responses to areas of vfm enquiry as part of our work.

Improvement recommendation

We repeat our recommendation the Council include appropriate financial and other service benchmarking data in its performance reporting to support members by helping further inform their decision making processes and enabling further comparisons and identification of any areas for improvement.

The Council attends Lancashire and sector wide user group meetings (where groups exist) which allows the sharing of knowledge. It attends both the Lancashire Chief Finance Officer Task & Finish Group and the Lancashire Deputy S151 Group meetings where information is shared and minuted.

The Council has demonstrated it is open to challenge and learning from other organisations. It took part in the Local Government Association (LGA) Corporate Peer Challenge (CPC) in September 2016, and received a follow up visit in July 2018 to help review and assess progress made. The revisit found the Council had made very good progress on recommendations from the 2016 assessment. To build on these successes the peer review team set out areas for the Council to consider in relation to economic development and inclusive growth with updates provided to full Council via the strategic report updates. The Council is considering the best timing of a further LGA Corporate Peer Challenge with the appointment of the new Chief Executive.

Improvement recommendation

We repeat our 2020/21 recommendation the Council take part in a further Local Government Association (LGA) Corporate Peer Challenge (CPC). This will help provide an independent assessment of progress since the previous visit and help the Council to identify areas for improvement.

Procurement

The Council has a number of key policies and procedures in place to manage the procurement process which are documented within the Constitution. These include Financial and Contracts Procedure Rules. The Council ensures fair procurement by compliance with Public Contract Regulations 2015 and public procurement thresholds and is currently reviewing its procedures to incorporate how climate change initiatives can be linked to procurement. The Constitution is updated on a regular basis and changes approved at Full Council.

The Council has a separate Procurement Strategy setting out the key principles for effective procurement, however the most recent version of the strategy is 2018-19. The Procurement Strategy 2018-19 is currently under review with an anticipated completion date during 2023.

The Council has an overarching Capital Strategy which forms part of the Council's corporate strategic and planning framework and links to the Strategic Plan and Asset Management Strategy. The Council updated the Capital Strategy for the period 2023-28 in February 23 which provides a high level view of how the capital expenditure and financing programme aligns with the delivery of Council services and wider strategic priorities.

Improvement recommendation

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.

Capital Monitoring and Outturn 2021/22

On 23 February 2021 full Council approved the 2021/22 original capital budget and set out its capital investment programme and strategy 2021/26. The capital budget set out the summary capital investment programme for 2021/22 to 2025/26 and a list of those schemes being proposed for the 2021/22 capital budget originally totalling £18.792m and included the financing for each individual scheme

Improving economy, efficiency and effectiveness

It also detailed the draft capital budgets for 2022/23 to 2025/26 along with the financing elements for those years. Subsequently the Charter Walk acquisition of circa £22m was approved at full Council on 22 July 2021 with the sale completed in October 2021.

Progress against the capital budget and individual schemes are reported quarterly and at the year-end (outturn) to the Executive and full Council. At each quarter changes to the budget were requested and at the outturn stage the revised budget for 2021/22 was agreed. These monitoring reports also included how the individual schemes would be funded, such as prudential borrowing and reserves. Each capital scheme has a budget holder who is responsible for monitoring performance and spend, assisted by Finance Business Partners.

The final spend position for 2021/22 on capital projects was £33.5m against the revised capital budget of £36.7m. The main items of capital spend were £22.1m on the acquisition of Charter Walk shopping centre, £2.9m invested on Pioneer Place, £1.5m spent on North West Burnley Growth Corridor, £0.9m on the Empty Homes Programme and £1.8m on housing renovations for disabled facilities.

The Pioneer Place and Charter Walk schemes will require the Council to use a significant amount of reserves and incur additional borrowing of approximately £36m for both schemes. This is a potential risk to the financial sustainability of the Council and will require careful management. The Council has in place a strategy to build up reserves over the next 10 years which will be essential to mitigate against any financial risk arising.

Capital budget 2022/23

For 2022/23 the Council originally planned to invest £1.3m on the Empty Homes Programme, £12.1m on Levelling Up Fund schemes, £13.9m on Pioneer Place, £2.4m on Townley Hall works and £2.0m on Better Care grants. These schemes were part of the total Capital Investment Plan of £37.8m across all schemes as reported in the Capital Investment Programme 2022-27 (February 2022). This is in line with the four themes of the Council's strategic objectives; people, places, prosperity and performance.

The latest Q3 monitoring report for 2022/23 in February 2023 shows a revised capital budget totalling £20.226m which is a decrease of £18.513m since the Q2

update mainly due to re-profiling into the following year. The reprofiled schemes include investment in Pioneer Place (£6.1m) and levelling up fund schemes (£9.5m).

We are satisfied the Council has continued to progress regeneration initiatives in line with its Strategic Plan to revitalise the local economy and stimulate growth and prosperity across the Borough and there are arrangements in place for reporting and monitoring progress. We recommend however significant areas of re-profiling are closely monitored to ensure the slippage is being effectively managed to meet the Council's overall strategic aims.

Improvement recommendation

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.

Summary

Overall, we found no evidence of any significant weaknesses in the Council's arrangements for the way it delivers its services. We have made improvement recommendations on:

- including key actions and targets in Strategic Plan progress updates for each strategic commitment so it is clear what is being planned and delivered against the strategic plan priority
- including benchmarking data in performance reporting to enable support members by helping further inform their decision making processes and enabling comparisons and identification of any areas for improvement
- considering a further Local Government Association (LGA) Corporate Peer Challenge (CPC) since the previous visit in July 2018
- revisiting its Procurement Strategy to ensure this is up to date and continues to set a clear framework for procurement throughout the organisation and reflects the Council's priorities within its Strategic Plan
- monitoring of slippage on capital schemes to ensure these are being effectively managed in line with the Council's strategic objectives.

Improvement recommendations



Improving economy, efficiency and effectiveness

5 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.

Why/impact

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.

Auditor judgement

The Strategic Plan includes key commitments for four key themes which directs the Council's future activity.

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.

Enhanced reporting of actions and targets would provide members with improved information for future decision making.

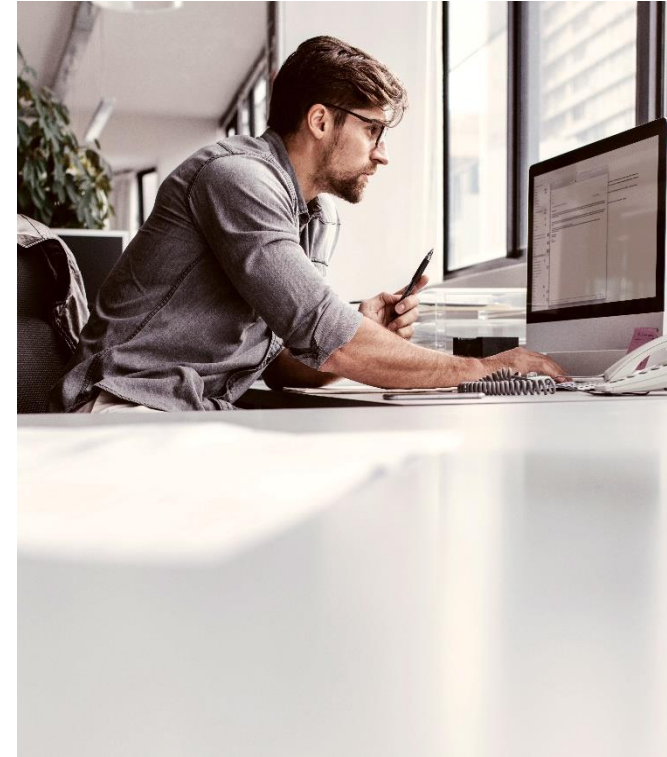
Summary findings

Strategic Plan progress updates do not include key actions or targets against the Council's 4 overarching strategic themes.

Management comment

The Strategic Risk Register is linked to the strategic objectives of the authority and progress against these objectives are reported at each Council meeting. The Executive owns the SRR and accounts to the Council through this mechanism to demonstrate the management of strategic risks through the delivery of strategic objectives.

Quarterly strategic updates to Full Council report on progress to meeting strategic objectives which in turn ensures that it provides mitigation against the risks identified in the SRR. Whilst risks are managed and risk mitigation is inherent within working practices it is acknowledged that a risk table/schedule can be incorporated into the SRR.



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

Improvement recommendations



Improving economy, efficiency and effectiveness

6 Recommendation 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.

Why/impact Benchmarking data can usefully inform debate and challenge to assist in identifying areas for further improvement.

Auditor judgement Although the Council uses some benchmarking data as part of its performance reporting, there is scope to develop this further across a wider cross section of services to provide additional meaningful information to support members in decision making and to promote improvement.

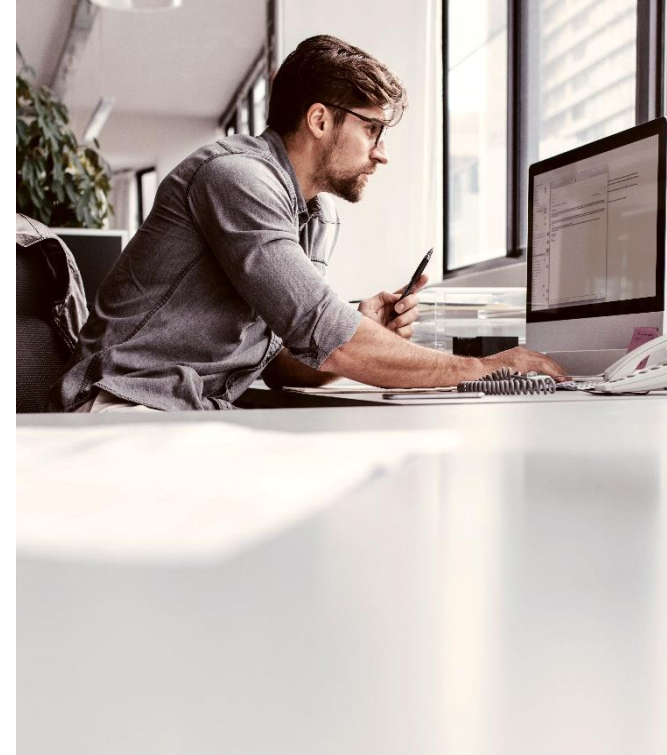
Summary findings Benchmarking is used in a limited capacity when reporting to members and there is scope to develop this further.

Management comment

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. Upcoming benchmark reviews will be undertaken for the Strategic Partnership Review and Waste and Action Resource Programme. 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.

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. Nevertheless, 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 are not always obvious so we want to use benchmarking carefully. A service as seemingly straightforward as waste collection makes this point: driving up recycling rates in an area of transient communities and high-density terrace housing means you could not pay for the same service from a high recycling area and expect the same result. In addition, please see the response to recommendation 7.



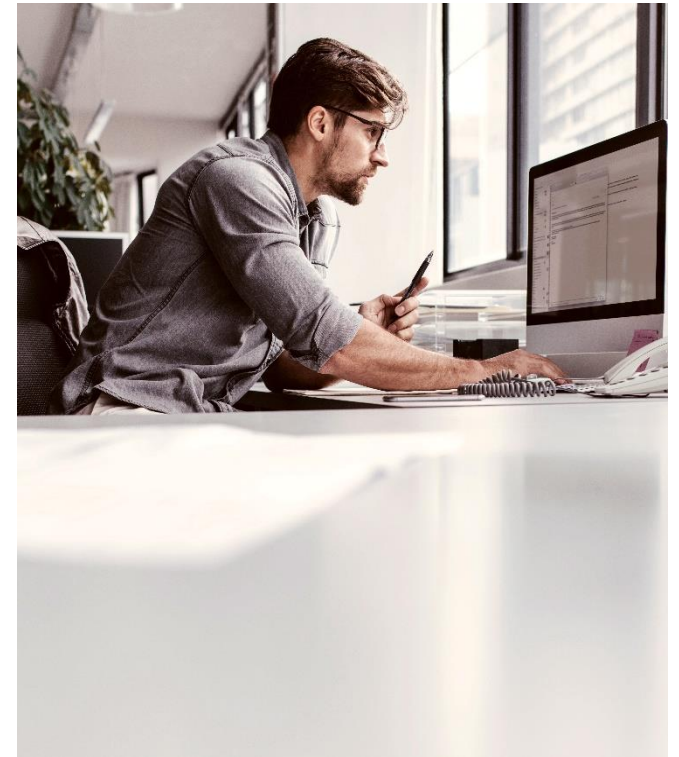
The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

7 Recommendation	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.
Why/impact	Peer challenge is a key tool to support sector led improvement. It is tailored to individual council needs and designed to complement and add value to a council's own performance and improvement focus. The Council has demonstrated it is open to challenge and learning from other organisations, having submitted itself to a LGA CPC in September 2016 with a follow up visit in July 2018.
Auditor judgement	Peer reviews promote improvement and it is good practice to follow up previous reviews to assess progress and ascertain any further improvement actions.
Summary findings	An updated Peer Review would give a current view of progress across Council key priorities.
Management comment	The Council undertakes specific service peer reviews. For example, the following reviews have been recently undertaken – Communications in 2019, Climate Change in 2021 and Internal Audit in 2022. Upcoming reviews include Waste and Cleansing in 2023 to update benchmarking information in preparation for reviewing and updating contract specifications prior to tender. We assume that the Office of Local Government will introduce a new framework for performance monitoring. We will ensure that the council's management capacity is adequately resourced to deal with this. The Council will consider a further Corporate Peer Challenge going forward.



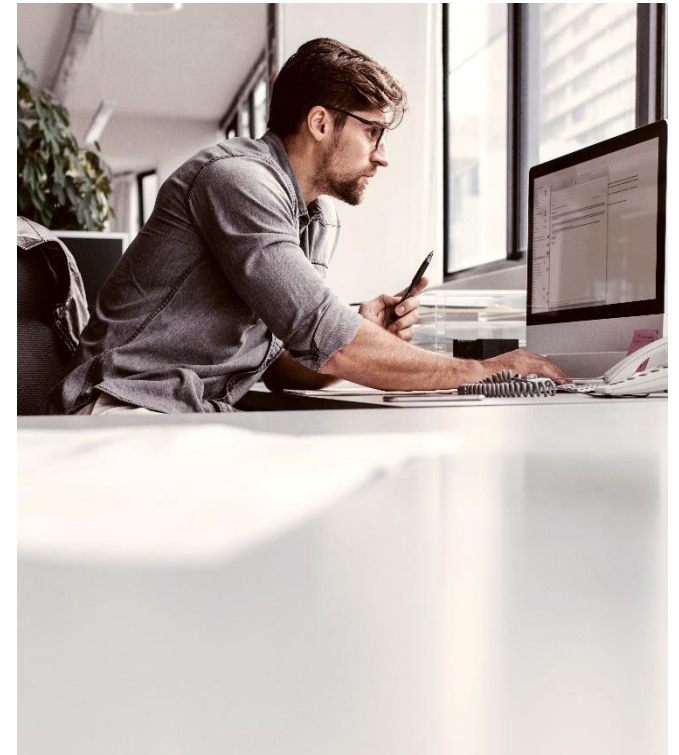
The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

8 Recommendation	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.
Why/impact	It is key that the Council has an up to date Procurement Strategy in place. Without this there is a risk that procurement requirement may not be adhered to or that the best value for money is not obtained.
Auditor judgement	The Council should review and update its Procurement strategy.
Summary findings	The Council's Procurement Strategy had not been updated for some time and during 2021/22.
Management comment	The updated Procurement Strategy 2023-2028 was approved by Full Council at their meeting 22 February 2023.



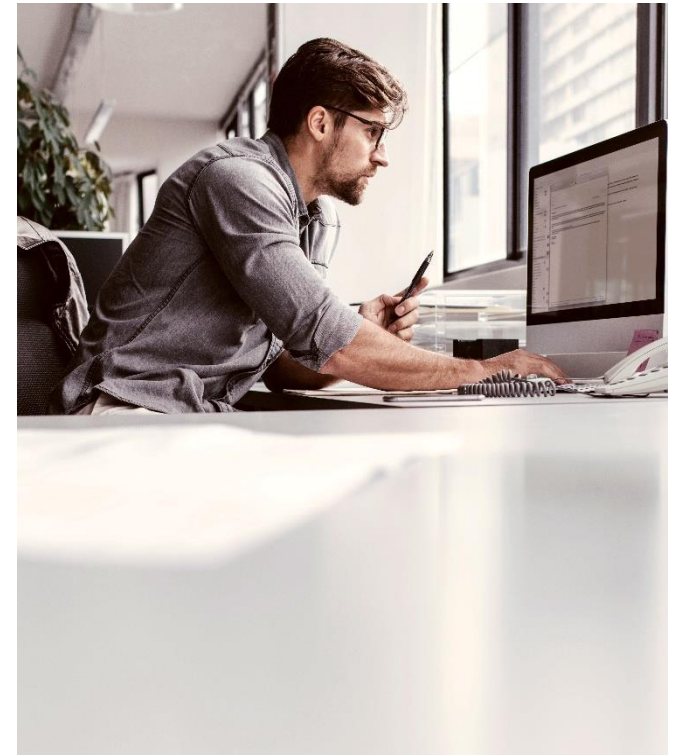
The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

9 Recommendation	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.
Why/impact	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.
Auditor judgement	Significant capital slippage should be monitored and assessed against the impact on the Council delivering wider service benefits and its strategic objectives.
Summary findings	<p>For 2022/23 the Council originally planned to invest £1.3m on the Empty Homes Programme, £12.1m on Levelling Up Fund schemes, £13.9m on Pioneer Place, £2.4m on Townley Hall works and £2.0m on Better Care grants. These schemes were part of the total Capital Investment Plan of £37.8m across all schemes as reported in the Capital Investment Programme 2022-27 (February 2022). This is in line with the four themes of the Council's strategic objectives; people, places, prosperity and performance.</p> <p>The latest Q3 monitoring report for 2022/23 in February 2023 shows a revised capital budget totalling £20.226m which is a decrease of £18.513m since the Q2 update mainly due to re-profiling into the following year. The reprofiled schemes include investment in Pioneer Place (£6.1m) and levelling up fund schemes (£9.5m).</p>
Management comment	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.



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

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 29 November 2022.

Other opinion/key findings

We issued unmodified opinions in respect of other information.

We did not report any matters by exception.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit and Standards Committee on 16 November 2022.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office (NAO).

We completed this work in February 2023 once revised instructions were issued by the NAO.

Preparation of the accounts

The accounts were prepared to a good standard with some disclosure amendments and one reclassification of an asset resulting in additional £302k depreciation charged to the Councils Comprehensive Income and Expenditure Statement.

Issues arising from the accounts:

The key issues were:

- One asset included as an investment property that should have been classed as Land and Buildings
- Additional depreciation of £301.7k on the re-classified asset
- 3 recommendations on:
 - the valuation of heritage assets
 - assets not revalued in year
 - national domestic rates appeals
- some improvements required to disclosures within the financial statements.

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

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



Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

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

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

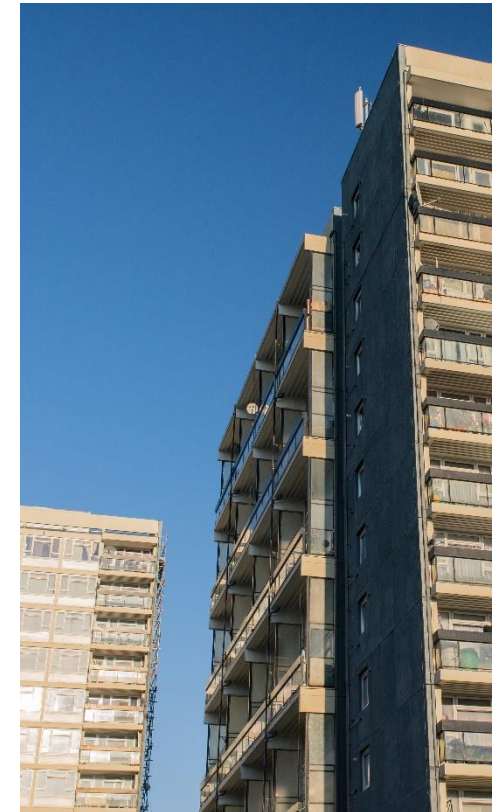
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B - Risks of significant weaknesses - our procedures and conclusions

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

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
<p>Financial sustainability</p> <p>We identified a risk of significant weakness around financial sustainability arrangements at the Council, due to continuing uncertainty over future government funding and a potential £4.1m cumulative budget gap over the 4 year MTFS period 2022-26, assuming a 2% reduction in core spending.</p>	<p>We:</p> <ul style="list-style-type: none"> • reviewed budget monitoring reports and the outturn report 2021-22 • examined the Council's assessment of the Covid-19 impact and how the 2021/22 budget is being managed in the light of this • reviewed the MTFS 2023/24 to 2026/27 and the revenue budget 2022/23 and 2023/24, looking at underlying assumptions and forecast delivery • assessed the progress and arrangements in place for developing future savings and efficiencies to close any medium term funding gaps 	<p>Overall whilst the Council continues to face significant financial pressures we consider the financial management arrangements are sound. The Council acknowledges that it is essential that it continues to identify and implement robust action plans to ensure savings remain on track. It will need to ensure it is clear on service prioritisation, areas of improvement focus and develop longer term transformational plans to ensure a balanced budget and delivery of financial stability in the future.</p>	<p>Overall, we found no evidence of any significant weaknesses in the Council's arrangements for ensuring the Council can continue to deliver financially sustainable services. We have made one improvement recommendation around closely monitoring the delivery of its savings and cost reduction plans as part of the achievement of its Medium Term Financial Strategy (MTFS) and strategic objectives.</p>

Appendix C - An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	
		Page reference	
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	n/a
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	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	8, 12-14, 18-22

Appendix D - Use of formal auditor's powers

We bring the following matters to your attention:

Statutory recommendations

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

We did not issue any statutory recommendations.

Public interest report

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

We did not issue a public interest report.

Application to the Court

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

We did not apply to the Court.

Advisory notice

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

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

We did not issue an Advisory notice

Judicial review

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

We did not apply for a judicial review.



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