

Auditor's Annual Report on Burnley Borough Council

2022/23

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.



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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.

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.



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.



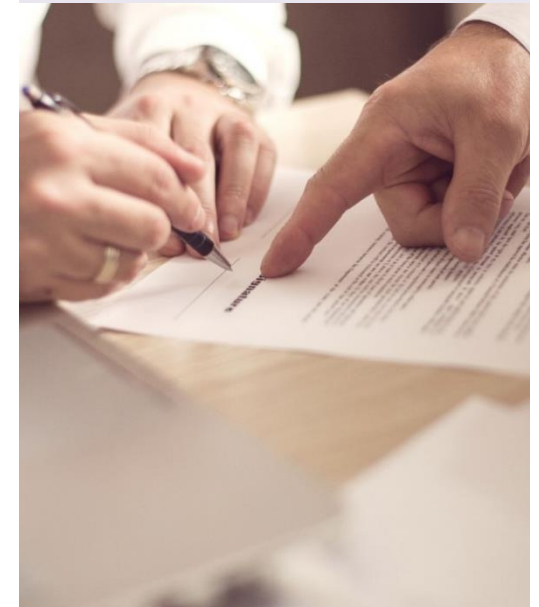
Improving economy, efficiency and effectiveness

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.

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

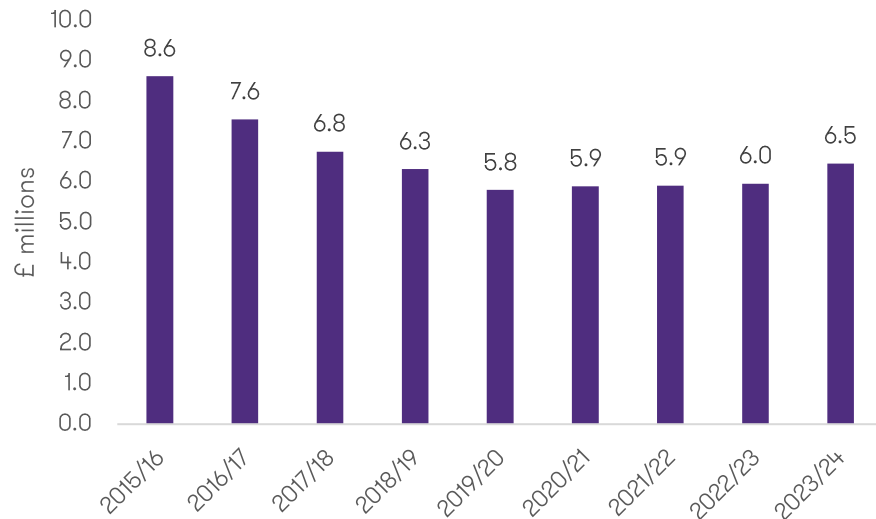
The Council should update its MTFS to include the potential financial implications of a change in service delivery partner over the medium term to reflect the change in assumptions.

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

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.

Improvement opportunity identified

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.

Summary findings

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.

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 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.

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.

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.

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:

Example risks from the Medium Term Financial Strategy	
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 underspend 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.

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.

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.

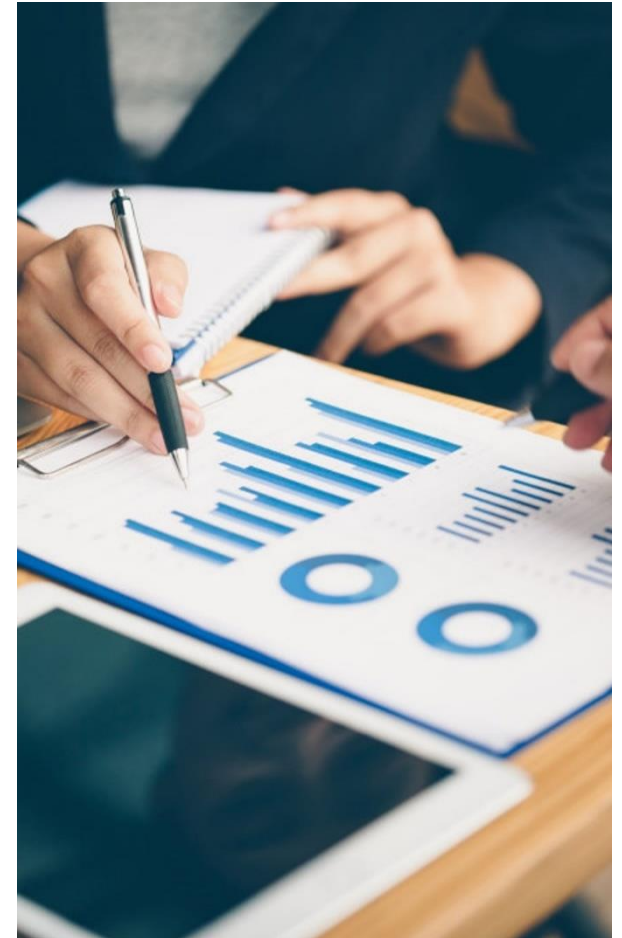
There are also quarterly updates, on the progress against the Strategic Plan 2023, taken to the full Council. The Strategic Plan 2023 sets out the Council's overarching priorities for the next 3 years and is developed around four main themes:

- 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 MTF5. 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 diligently 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

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

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.

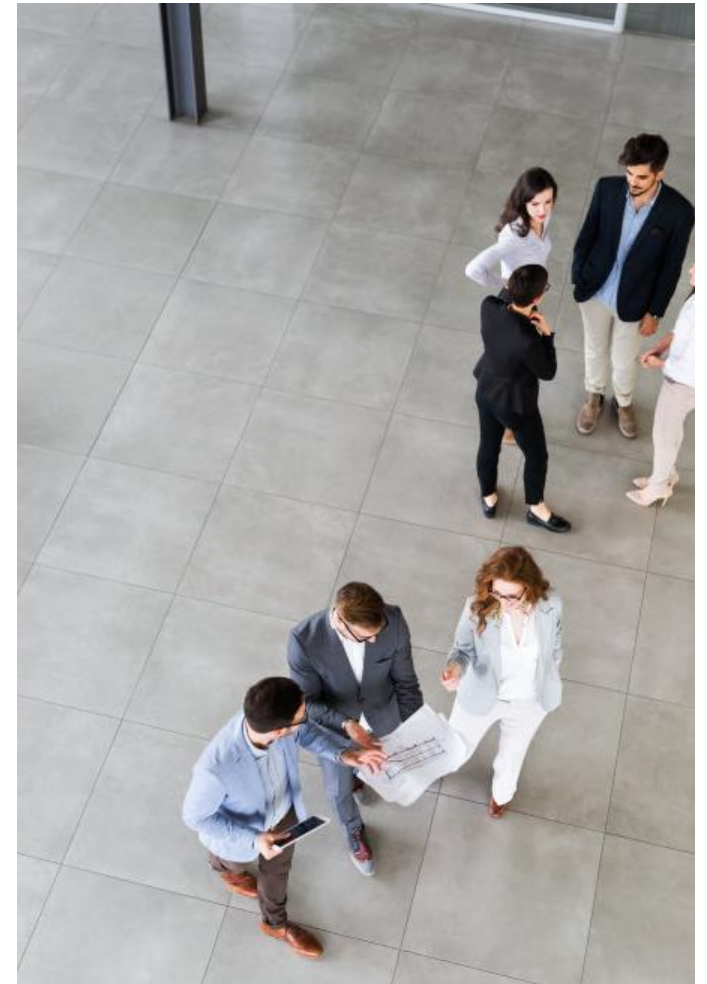
We conducted our audit in accordance with:

- 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

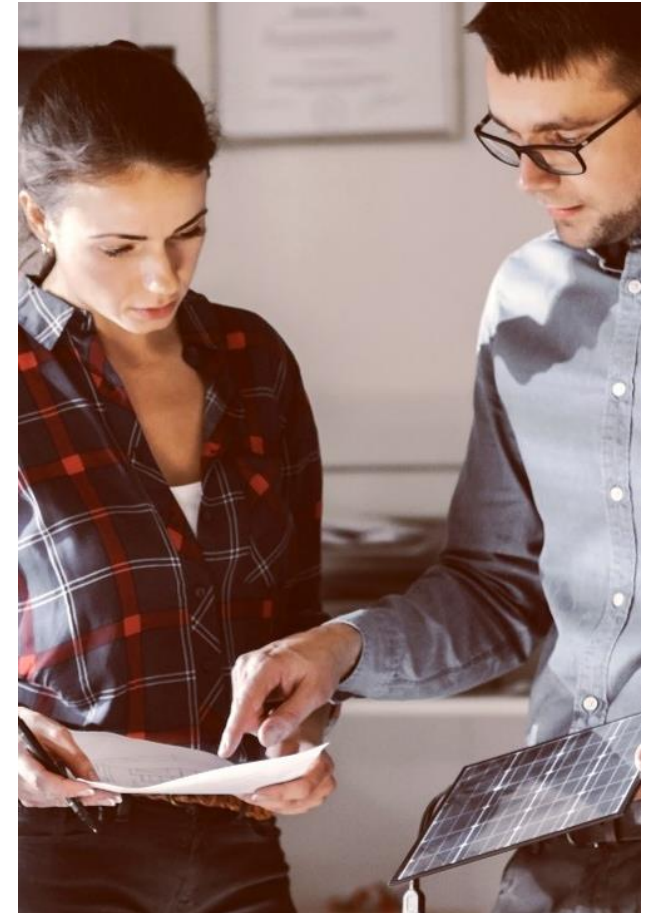


Timescale for the audit of the financial statements

- 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



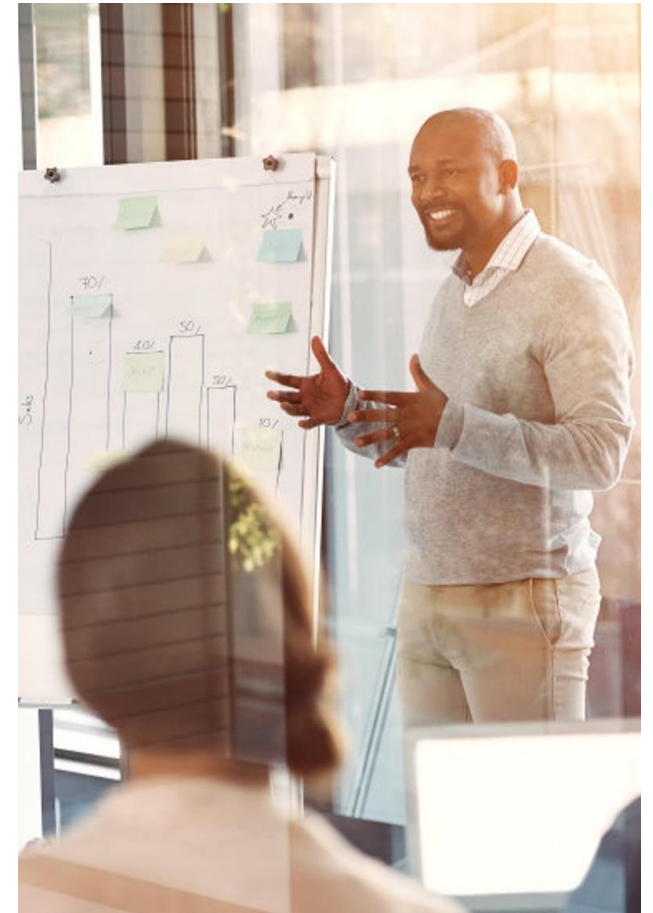
Audit Findings Report

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.

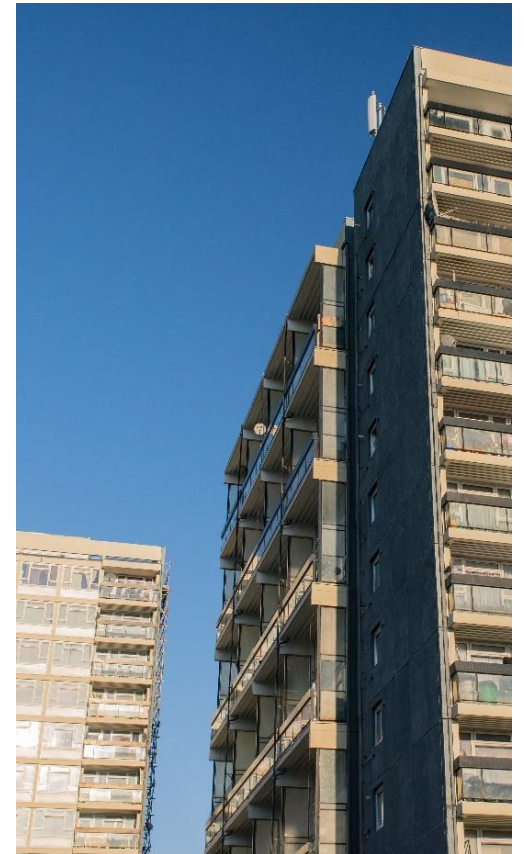
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

