

Auditor's Annual Report on Burnley Borough Council

2020-21

August 2022



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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 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 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. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

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

We identified a risk in respect of:

- Financial sustainability



Financial sustainability

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

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 £4.1m cumulative budget gap over the 4 year MTFS period 2022-26, 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 5 to 7.



Governance

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

We did not identify any significant weaknesses from our work in this area. Further detail can be found on pages 8 to 12.



Improving economy, efficiency and effectiveness

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

We did not identify any significant weaknesses from our work in this area. Further detail can be found on pages 13 to 21.



Opinion on the financial statements

We have completed our audit of your financial statements and issued an unqualified audit opinion. This included an Emphasis of Matter paragraph highlighting property, plant and equipment valuation material uncertainties in respect of the Council's retail and specific trading related land and buildings assets and sectors.

We issued the opinion on 12 July 2022, following approval by the Audit and Standards Committee meeting in July 2022.

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, as well as the impact of Covid-19, is set out on page 22. 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 2020-21

The Council is operating within a financially challenging environment, particularly within the context of continuing austerity. It set a one-year budget for 2020/21 (approved in February 2020, and prior to the Covid-19 global pandemic).

The budget included the requirement to deliver £596k savings from budgets and a further £213k operational/salary savings to arrive at a balanced budget position.

The outbreak of the Covid-19 coronavirus pandemic had a significant impact on the normal operations of the Council and led to substantial financial pressures. As 2020/21 progressed the government provided additional direct funding of £2.486m which was largely directed at tackling homelessness and alleviating pressures from reduced income and additional Covid-19 costs. The Government also provided support for losses of income from sales, fees and charges and a number of other Covid related funding streams.

The Council continued to monitor the impact of the revenue budget and the impact of 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.

The Council reported a pre-audit overall revenue outturn underspend of £31k for 2020/21. This is a net position after the application of Covid-19 funding to cover the additional expenditure and losses of income directly related to the pandemic.

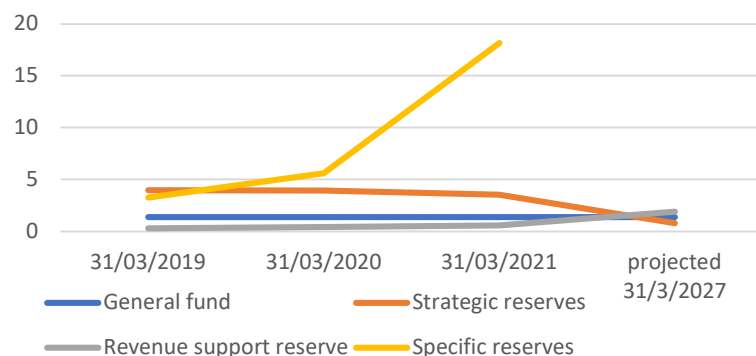
Financial position

The Council updated its revenue budget 2021/22 in February 2021 which requires the Council to deliver £182k savings to balance the budget. It also agreed its Medium-Term Financial Strategy (MTFS) 2022/23 to 2025/26 which sets out the financial challenge faced by the Council in the medium term. This identified a potential funding gap of £4.1m over the 4 year period (£2.9m cumulative savings required in the years 2022/23 to 2024/25 and a further £1.2m in 2025/26), assuming a 2% reduction in core spending.

The MTFS is continually revisited and in February 2022 the Council set out its revised MTFS 2023/24 to 2026/27 alongside its revenue budget 2022/23. The MTFS headline is 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). The total savings requirement increases to £4.4m if there is a 4% reduction in core spending power.

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. As a result the Council originally identified £139k savings in 2022/23 for approval with a remaining unidentified balance of savings required of £2.73m over the period 2022/25. The revenue budget 2022/23 (in February 2022) now identifies an additional savings requirement of £750k which has been met by removing the annual contribution to the Transformation Reserve.

Reserves projected to 31/3/2027 (£m)



MTFS after savings proposals September 2021

MTFS	22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000	Total £m
Budget gap (assuming 2% reduction in core spending)	719	1053	1097	1246	4115
Savings	(139)	-	-	-	(139)
Budget gap	580	1053	1097	1246	3976

General Fund reserves, including earmarked reserves, increased to £23.09m as at 31 March 21 (from £10.9m as at 31 March 20). The increase in earmarked reserves includes a new £5.264m Collection Fund Deficit Reserve to offset business rates reliefs given to businesses during lockdown and £1.589m Covid-19 Reserve set aside for future Covid-19 pressures.

The Council anticipate that a substantial part of the strategic earmarked reserves will be at, or below, their recommended minimum level by the end of the MTFS period. (see projected reserves position to 31/3/2027 (MTFS 2023/24 to 2026/27). The General Fund reserve is set at £1.379m over the period with the revenue support reserve providing resilience against reduced funding. The strategic earmarked reserves are built up from released savings where possible and used for the specific purpose for which they were set aside. The Council acknowledges that the ability for the Council to build up reserves will become increasingly difficult in future years.

The Council presented its third quarterly (Q3) monitoring report 2021/22 to Executive in February 2022 which included an update on the net budget forecast, reserves position and progress with delivery of agreed savings. The report reflected the ongoing uncertainty from the Covid-19 pandemic in preparing accurate year end forecasting. The Q3 report identifies additional shortfalls in income and increases in expenditure of £944k which taken with savings gaps and after central government funding results in a forecast deficit of £12k.

The final outturn report 2021/22 reported in July 22 shows a net underspend of £221k which has been transferred to the Revenue Support Reserve.

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.

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

The Council faces future financial pressures from ongoing Covid-19 expenditure and reductions in income levels. The MTFS 2023/24 to 2026/27 indicates a cumulative £3.4m funding gap over the 4 year period to 2026/27. The Council originally identified £139k savings in 2022/23 with £2.73m remaining unidentified. The revenue budget 2022/23 (reported in February 2022) identified an additional savings requirement of £750k to be met by removing the annual contribution to the Transformation Reserve.

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.

Auditor judgement

The Council continues to monitor the impact of the revenue budget and the impact of Covid 19 pressures through regular financial monitoring reports to Executive. 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.

Summary findings

The Council reported a pre-audit overall revenue outturn underspend of £31k for 2020/21. General Fund reserves, including earmarked reserves, increased to £23.09m as at 31 March 21 (from £10.9m as at 31 March 20). The increase in earmarked reserves includes a new £5.264m Collection Fund Deficit Reserve to offset business rates reliefs given to businesses during lockdown and £1.589m Covid-19 Reserve set aside for future Covid-19 pressures.

Management comment

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. 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.

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 March 2022 to A&S) sets out the risk score for each of the 14 identified strategic risks and includes a graph of the likelihood and potential impact for each risk. 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.

The SRR does not currently include details of how the risks are being managed and the progress being made against the list of strategic commitments.

Improvement recommendations

Risk management is an important governance tool and part of the overall management of performance and delivery of objectives. The Council should revisit its RMM on a regular basis to ensure this is up to date and helps it to achieve its vision, ambitions, and priorities.

Improvement recommendations (cont'd)

The SRR should include further detail on how each strategic risk is being managed and progress made against the list of strategic commitments.

Internal Audit

Internal Audit report regularly to A&S Committee throughout the year.

Internal Audit have offered a responsive service during the pandemic and supported the Council's business continuity response. Internal Audit also delivered 19 audit reports out of an original plan of 22 and completed follow up reviews on previously reported actions.

This focussed 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 2022/23 Internal Audit Plan, taken to A&S in March 22, 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.

Internal Audit assessed its compliance with Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note during 2021. The evaluation of Internal Audit effectiveness included a quality assurance and improvement programme (QAIP), obtaining client feedback and audit review. There were no issues to report as a result of the assessment.

The Councils 5 yearly external peer review on PSAS compliance is planned for August 2022. This is to be 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.

Governance

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 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).

Once the budget is determined the Council's Scrutiny Committee and Executive provide further challenge before the revenue and capital budgets are taken to Full Council for final approval.

Budgetary control

There is robust system of budgetary control with monthly departmental budget monitoring and quarterly reports (revenue and capital) taken to Full Council.

Budget holders receive reports of their controllable and salary forecast budgets and are required to identify any movements in forecasts along with savings identified to date. Any variances identified are discussed and actions put in place to resolve these.

Heads of Service are responsible for their budgets within their service area, with assistance from individual budget holders. The budget monitoring process is two staged with budget forecasts reviewed by the individual budget holders who identify amendments required to the forecasts. Heads of Service then examine the proposed forecast amendments and either approve or reject the proposed amendments.

The budget reports (capital and revenue) are reported on a service unit basis.

The quarterly revenue budget monitoring reports 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 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.

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's Scrutiny Committee and Executive considers the annual Treasury management statement strategy and Prudential Treasury indicators and receives a mid year and annual report. These reports document 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. During 2020/21, the Council maintained an under-borrowed position. This means the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, but the Council used cash supporting the Council's reserves, balances and cash flow as an interim measure.

The Council's investment policy is governed by 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.

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

We did not note any significant areas of risk in borrowing or investment activity during our final accounts audit 2020-21.

Governance

Financial statements

The Council has an experienced finance team in place but there have been delays to the completion of the audit for 2020-21. The impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, such as continuing with remote access working arrangements during significant periods of the audit.

We received the first set of draft accounts on 30 July 2021 but there were a number of revisions to these during the audit to reflect the various amendments required. An updated version of the financial statements were produced, subject to some final queries in April 2022. The audit work was extended to July 2022 as a result of final documentation requests, agreeing accounting treatment and financial statements presentation.

Our findings were reported in our Audit Findings Report in April 2022, updated in July 2022. We did not identify any adjustments to the financial statements that resulted in a bottom-line adjustment to the Council's Comprehensive Income and Expenditure Statement, Balance Sheet or General Fund. We reported a number of disclosure and misclassification adjustments and raised recommendations for management as a result of our audit work.

The Council acknowledge it has undergone a period of being under resourced due to staff vacancies which has created challenges for the officers involved.

The Council has now recruited to some vacant posts and brought in a Finance Apprentice and Trainee Accountant (Career Grade). It is keeping track of its resource position to assess if any further resources will be required.

Improvement recommendation

The Council should conduct a root cause analysis of the delays and changes required to its draft statement of accounts 2020-21. It should ensure it has sufficient capacity for the delivery of its finance functions and for the production of robust statements of accounts.

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 2020/21 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.

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
- Including further detail in the Strategic Risk Register on how each strategic risk is being managed and the progress made against the list of strategic commitments
- Conducting a root cause analysis of delays and changes required to the 2020-21 financial statements.

Improvement recommendations



Governance

2 Recommendation We recommend the Council provide further detail within the Strategic Risk Register (SRR) on how each strategic risk is being managed and the progress that is being made against the Council's strategic commitments.

The Council should also 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

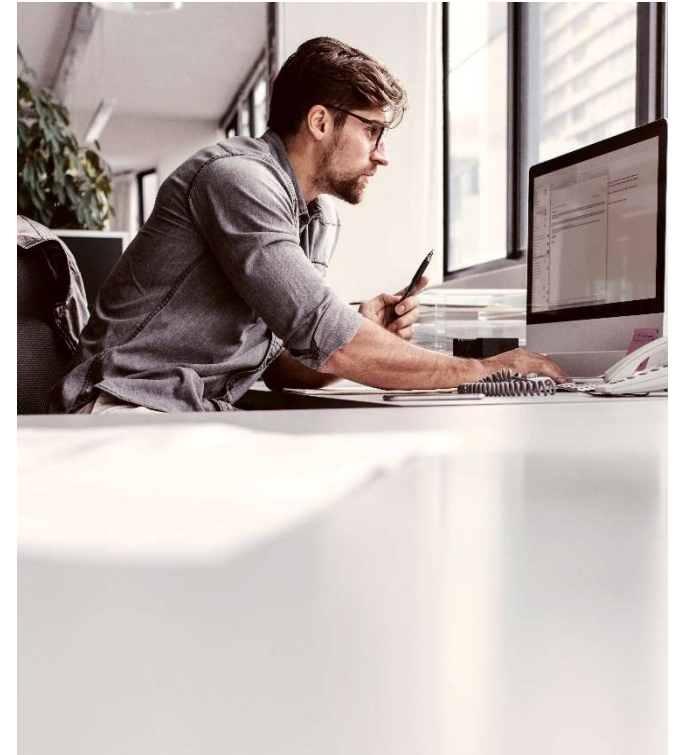
The Council has a documented Risk Management Method (RMM) in place which sets out the Council's approach to identifying and managing risk. The current RMM was last produced in August 2019 and would benefit from a refresh to ensure it provides an up to date framework to promote effective decision making and encourage innovation.

Summary findings

The SRR sets out the risk score for each of the current 14 identified strategic risks and includes a graph of the likelihood and potential impact for each risk. 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.

The SRR does not currently include details of how the risks are being managed and the progress being made against the Council's strategic commitments.

Management comment



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

Improvement recommendations



Governance

3 Recommendation We recommend the Council conduct a root cause analysis of the delays and changes required to its draft statement of accounts 2020-21. It should ensure it has sufficient capacity for the delivery of its finance functions and for the production of robust statements of accounts.

Why/impact The Council has an experienced finance team in place but there were considerable delays to the completion of the audit for 2020-21. The Council acknowledge it has undergone a period of being under resourced due to staff vacancies which has created challenges for the officers involved.

The Council has recruited to some vacant posts and the 2021-22 financial statements were produced to the agreed timeframe of July 2022.

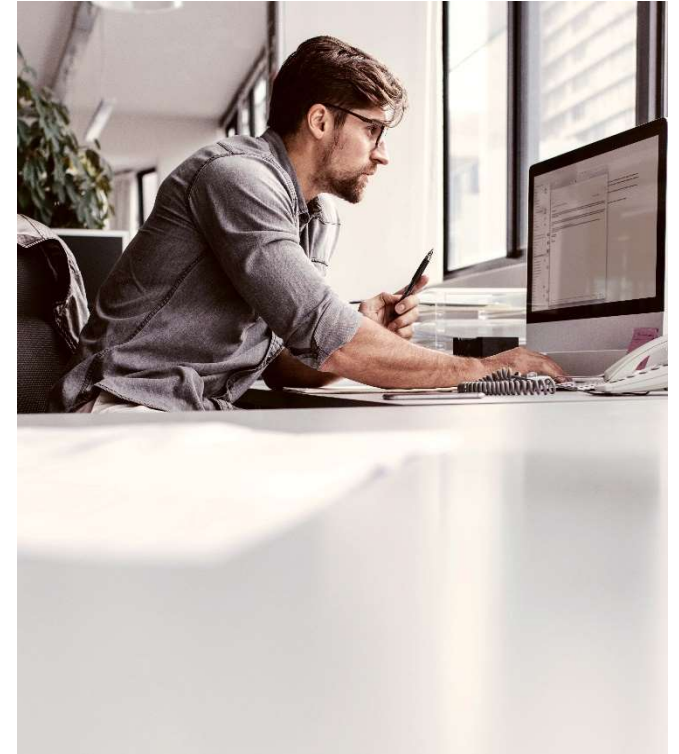
Auditor judgement The Council's 2020-21 financial statements were subject to delay and various iterations of these were received during the extended period of the audit.

The audit for 2021-22 has now started to the agreed timeframe.

Robust and timely production of financial statements supports the Council's overall financial management decisions and business planning.

Summary findings We received the first set of draft 2020-21 accounts on 30 July 2021 but there were a number of revisions to these during the audit to reflect various amendments required. Audit work was extended beyond the national deadline originally set of November 2021 with the final set of financial statements agreed in July 2022.

Management comment



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 2022

The Council's Strategic Plan sets out the Council's overarching priorities 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 2022. The revised Plan now builds on the 2021 commitments to deliver the COVID-19 economic and community recovery plans with a focus on areas for environmental improvement, and to work on the wider determinants of poor health.

Plan progress updates are reported quarterly to Full Council and 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.

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.

The Council uses LG Inform (the local area benchmarking tool from the Local Government Association Area) for benchmarking data. Some benchmarking is reported as part of the overall scrutiny of performance. However there is scope to expand the use of benchmarking to support members decision making processes and this should be included in performance reporting to full Council.

Improvement 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.

Improving economy, efficiency and effectiveness

Performance and performance monitoring (continued)

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 and in particular had achieved:

- Significant progress across a range of economic, housing and regeneration projects, building business cases to secure investment in the borough as well as helping the Council identify and manage risk
- A strong shared vision for the borough, with the Council seen as a respected and valued partner, with jobs growth outstripping many parts of the country
- Good progress in developing commercial approaches, including charges for green waste, commercial approach to Treasury Management and work with Liberata to secure efficiencies through service transformation of revenues and benefits

The feedback report recognised the Council has a widely respected leadership role, including its role on the Local Enterprise Partnership (LEP) and Lancashire Leaders Partnership.

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. The Council did not prepare a separate action plan in relation to the peer review. Instead updates are provided to Full Council via the strategic report updates. In addition a 'State of the Local Economy' report was presented to the Executive in September 2021 to support the Council's Economic Recovery Plan.

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 latest update was June 2022.

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 Council needs to review and refresh the Procurement Strategy to ensure this reflects the current strategic aims of the Council.

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 2022-27 in February 22 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 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.

Improving economy, efficiency and effectiveness

Capital Monitoring and Outturn 2020/21

On 26 February 2020 Full Council approved the 2020/21 original capital budget of £19.468m. The Council revised this to £20.874m in Aug 2020 after allowing for slippage from 2019/20.

Progress against the capital budget and individual schemes were 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 position on capital spending was £11.915m for 2020/21 (reported to Exec July 21), which is 87% of the final revised resources position. The main areas of spend are within regeneration and planning with the Council delivering £8.1m out of planned £9m schemes. The outturn included £3.95m on the Sandygate Square student accommodation scheme which completed during the year.

Capital budget 2021/22

In 2021/22 the Council spent £33.5m on capital projects compared with a revised capital budget of £36.7m. During the year £2.9m was invested on Pioneer Place, £22.1m on the acquisition of Charter Walk, £1.5m spent on NW Burnley Growth Corridor, £0.9m on the Empty Homes Programme and £1.8m on housing renovations for disabled facilities.

The Charter Walk Acquisition was approved at Full Council at their meeting on 22 July 2021 revising the 2021/22 budget to £39,481,296. Subsequently a successful bid was submitted, with the exchange of contracts taking place on 07 October 2021. The sale was completed 20 October 2021. We examined the Council's arrangements in place for the purchase of Charter Walk and the ongoing scrutiny and due diligence (with Frank Knight as advisor) in arriving at an agreed completion price based on a costed financial model. The Council set out a detailed assessment of risk which considered the financial and operational risks of the scheme and provided detailed reports to Executive with documented approval for the purchase. It will be important going forward that the Council continue to monitor closely the financial and operational outcomes to ensure it limits any commercial risks going forward and maximises potential opportunities from the Centre.

Levelling Up Fund - the Council received confirmation of its successful bid at the Autumn Budget on 27th October 2021. The bid was for three schemes: UCLan Burnley Campus Expansion, Town 2 Turf Public Realm Transformation and Railway Station Accessibility Improvement at a total cost of £22.5m spanning three financial years (2021/22 - 2023/24).

For 2022/23 the Council is planning to invest £1.3m on the Empty Homes Programme, £6.2m on Levelling Up Fund schemes, £5.0m on Pioneer Place, and £2.0m on Better Care grants. This is in line with the four themes of the Council's strategic objectives; people, places, prosperity and performance.

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

Improvement recommendation

The Council needs to ensure it continues to closely monitor the financial and operational outcomes from the Charter Walk shopping Centre to ensure it limits any potential commercial risks or to maximise opportunities arising.

Improving economy, efficiency and effectiveness

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
- 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
- continuing to closely monitor the financial and operational outcomes from the Charter Walk shopping Centre to ensure it limits any potential commercial risks or to maximise opportunities arising

Improvement recommendations



Improving economy, efficiency and effectiveness

4 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.

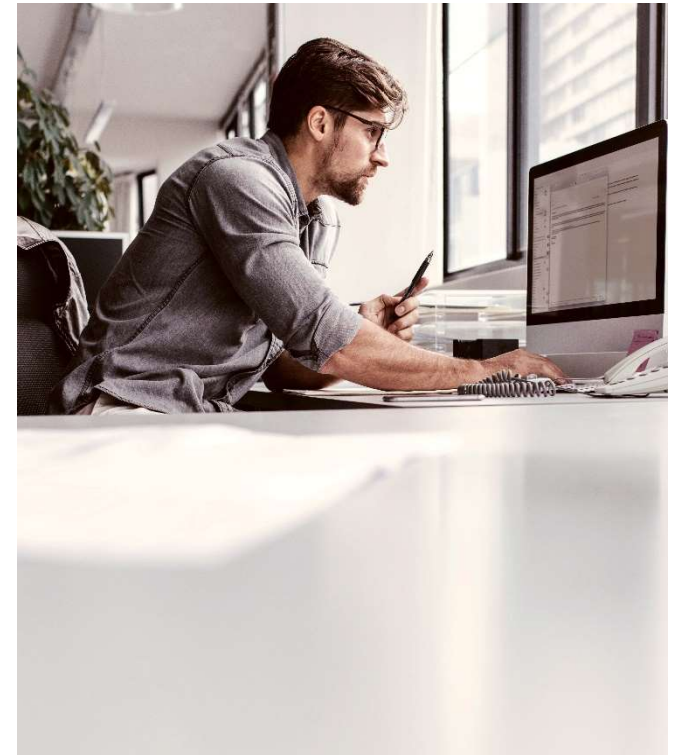
People – creating flourishing, healthy and confident communities/Places – making the Borough a place of choice/Prosperity – promoting transformational economic change for Burnley, and Performance – ensuring a continuous focus on improvement in all aspects of the Council's performance.

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



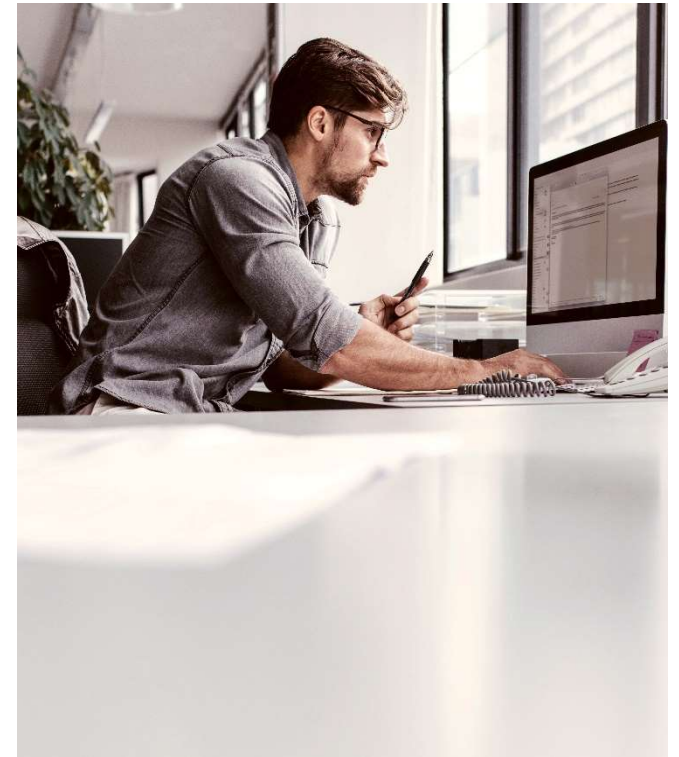
The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

5 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 and there is scope to develop this further.
Management comment	



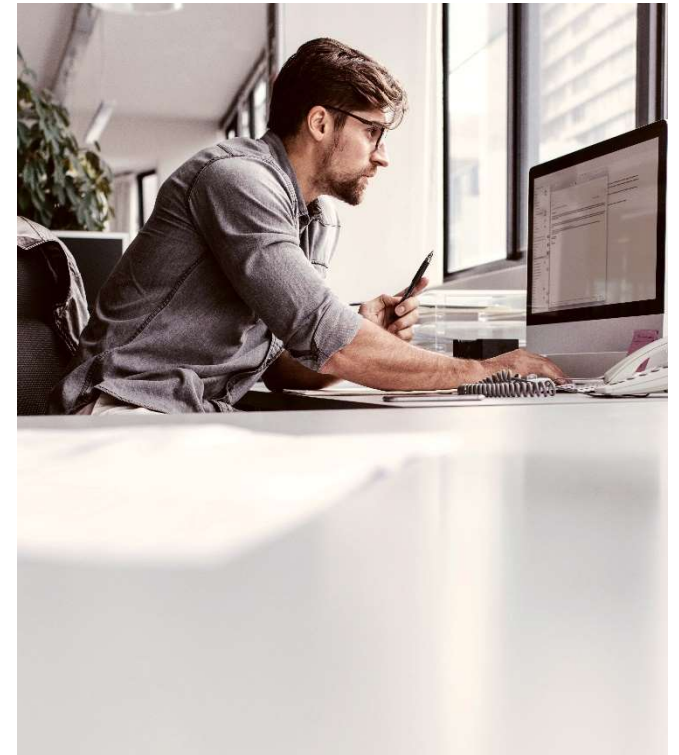
The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

6 Recommendation	We recommend the Council 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 range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

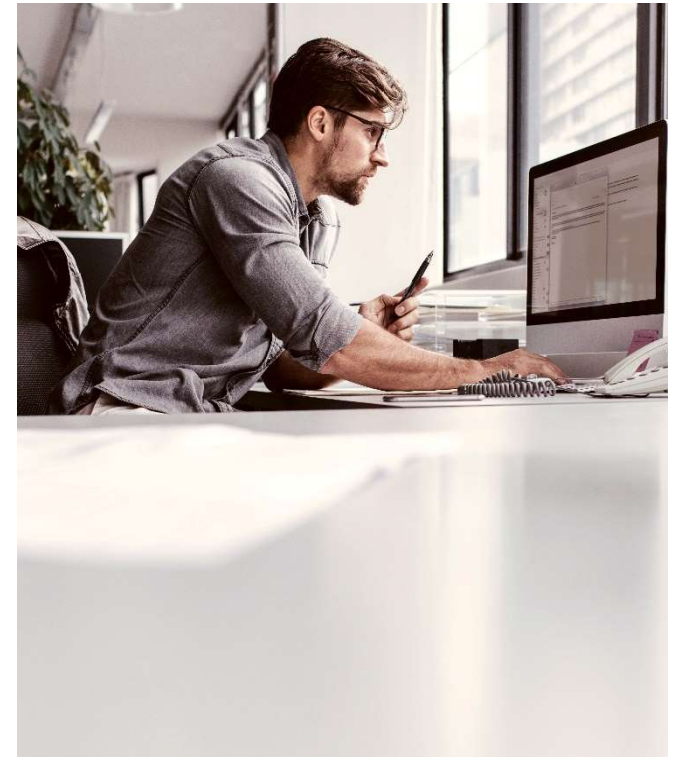
7 Recommendation The Council should revisit and update its Procurement Strategy to ensure this continues to set a clear framework for procurement throughout the organisation and reflects the Council's priorities within its Strategic Plan.

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.

Management comment



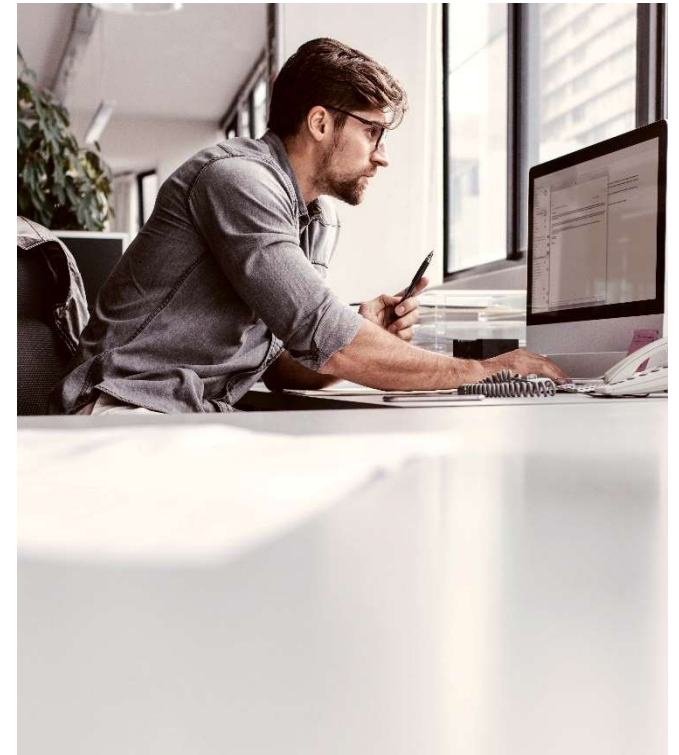
The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

8 Recommendation	The Council needs to ensure it closely monitors the financial and operational outcomes from the Charter Walk shopping Centre to ensure it limits any potential commercial risks or to maximise opportunities arising.
Why/impact	It is important that the Council keeps the financial and operational results of Charter Walk under review and reports this regularly to Council in order to ensure if there were any emerging issues these could be dealt with on a timely basis.
Auditor judgement	Latest performance information for Charter Walk indicates for 2021-22 the scheme performed better than budgeted. The Council needs to continue to monitor this to ensure the scheme is on track in what remains uncertain times.
Summary findings	Charter Walk is a key project for the Council in terms of regeneration and the local plan. Close monitoring and reporting needs to continue to ensure it remains on track.
Management comment	



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

COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how Council services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

Financial sustainability

The impact of Covid-19 has cut across the Council, impacting its income in the collection of Council Tax and Business Rates and from the closure of car parks and leisure services. It has also incurred additional spending pressures, including tackling homelessness and other increases in Covid-19 related costs.

The Covid -19 related spend reported by the Council was £2.642m comprising £0.684m additional expenditure and £1.958m of income losses. These additional costs have been offset by emergency and compensation funding from the Ministry of Housing, Communities and Local Government (MHCLG) of £3.502m. Uncommitted grant is set aside for future years.

In addition, the Council received £11.757m from the government to mitigate losses in Council Tax and Business Rates collection and other specific Covid-19 related funding for specific work programmes. The Council has created a Collection Fund Deficit Reserve of £5.264m to fund the 2020/21 business rate and council tax deficits and spread these over 3 years.

The Council continued to monitor the revenue budget and the impact of 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 government is providing some ongoing support to mitigate against the impact of the Covid-19 pandemic into 2021-22. In addition the Council has set aside £1.589m into a Covid-19 Reserve to help mitigate against future Covid-19 pressures.

Although these reserves provide some cushion against future pressures the impact of the Covid-19 pandemic on the 2021/22 budget and future years is unknown, particularly when some government support packages end. Whilst the Council has set a balanced budget for 2021/22 with savings built in, the Council will need to main close scrutiny over its finances in order to achieve this budget.

Governance

As a result of the emerging pandemic, in February 2020 the Council set in motion its business continuity plans and adopted approaches to maintain business critical activities.

Council staff transitioned to home working and were redeployed where normal duties could not carry on. The Council adapted some of its internal control processes to maintain effective governance throughout the pandemic. Committee and other meetings took place online.

Internal Audit have offered a responsive service during the pandemic and supported the Council's business continuity response. This included processing business support grants, an audit of central government grant for a partner organisation, Lancashire Resilience Forum (LRF), death management reporting, test and trace, covid case analysis and reporting, and additional engagement with the LRF.

Internal Audit also delivered 19 audit reports out of an original plan of 22 and completed follow up reviews on previously reported actions.

Of the audit reports issued in 2020/21 there was only 1 reported with limited assurance, where there are weaknesses in design or inconsistent application of controls. This was in the reporting of personnel performance indicators for which improvement actions were agreed.

Improving economy, efficiency and effectiveness

The Council agreed its Economic Recovery and Growth Strategy in November 20 which sets out actions to help the borough's local economy bounce back after the pandemic.

Aligned to this is the Community Recovery Plan, approved by full Council in December 20. A key element of the Recovery Plan is the Burnley Together hub, a strong placed based partnership, operating since the start of the pandemic, to provides a range of services to people both directly and through its partners.

The agreed objectives going forward are to connect people to the services they need; ensuring a personalised approach; creating a culture of independence through empowerment and targeted support; making the best use of partnership resources and continually reviewing the service offer.

The focus of recovery within the Plan is on skills & jobs, health & wellbeing, and community & inclusion. The Plan includes outcomes for each area of activity and an action plan (November 20 to March 21).

The Council subsequently updated the Recovery Plan in July 21 which also outlined actions taken and set out funding proposals for the next two years

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 12 July 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 Committee on 6 July 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.

These instructions have yet to be issued and as such we cannot complete this work or formally certify the closure of our audits.

Preparation of the accounts

The finalisation of the audit was delayed until July 2022 due to amendments to initial draft financial statements and then various queries on samples, accounting treatment and financial statements presentation.

Issues arising from the accounts:

The key issues were:

- 3 recommendations on property, plant and equipment valuations
- a recommendation to improve journals controls
- a recommendation on the timely preparation of financial statements and quality checking
- 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 2020-21 • examined the Council's assessment of the Covid-19 impact and how the 2020/21 budget is being managed in the light of this • reviewed the MTFS 2023-24 to 2026.27 and the revenue budget 2022-223, 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	7,11-12, 17-21

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.

