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Audit & Governance Committee

Tuesday, 11th July, 2023
6.00 pm
Council Chambers - OTH
Blackburn Town Hall

AGENDA

1. **Welcome and Apologies**

   To welcome those present to the meeting and to receive apologies for absence.

2. **Minutes of the meetings held on 2nd March 2023**

3. **Declarations of interest**

   To receive any declarations of interest in items on the agenda.

4. **Annual Report on Health & Safety 2022/23**

   The Service Lead, Chief Executive's Department will provide the Committee with the 2022/23 Health & Safety Annual Report.

5. **Use of Waivers**

   Head of Legal & Procurement will provide the Committee with a report on the use of Waivers.

6. **External Audit Findings Report 2020/21**

   The Council's External Auditors will provide the Committee with their audit findings report for the 2020/21 audit summarising the key findings and issues from the audit of the financial statements.

Audit Findings Report LG 2020-21-FINAL3 6 July 2023 **22 - 71**

7. Statement of Accounts

Approval of Accounts 2020-21_Audit Governance Cttee July 2023 **72 - 204**
Statement of Accounts 2020-21

8. Application of Accounting Policies

The Chief Executive will provide the Committee with a report on the accounting policies that will be used in the preparation of the Council's Statement of Accounts for the financial year ending 31 March 2023.

Agenda Item 8 - Application of Accounting Policies **205 - 228**
Agenda Item 8 - Appendix A Accounting Policies 2022-23

9. Closure of Accounts 2022/23 - Assessment Going Concern Status

The Chief Executive will provide a report to inform the Committee of an assessment of the Council as a going concern in respect of the production of the 2022/23 Statement of Accounts.

Agenda Item 9 - Closure of Accounts Going Concern **229 - 234**

10. Treasury Management Annual Report 2022/23

The Chief Executive will provide the Committee with an annual report on Treasury Management activity for the financial year 2022/23.

Agenda Item 10 - Treasury Outturn Report A&G Cttee 22-23 **235 - 248**

11. Audit & Assurance - Progress & Outcomes to May 2023

The Head of Audit & Assurance will report on progress and outcomes achieved within Audit & Assurance in the period.

12. Annual Risk Management Report 2022/23

The Head of Audit & Assurance will provide the Committee with the Annual Risk Management Report for 2022/23.

13. Annual Counter Fraud Report 2022/23

The Head of Audit & Assurance will provide the Committee with the Annual Counter Fraud Report for 2022/23.

14. Annual Internal Audit Opinion Report 2022/23

The Head of Audit & Assurance will provide the Committee with the Annual Internal Audit Report for 2022/23.

15. Annual Governance Statement for 2022/23

The Chief Executive will provide the Committee with the draft Annual Governance Statement for 2022/23.

16. Audit & Governance Committee Annual Report 2022/23

The Chair of the Committee will present the draft Audit

& Governance Committee Annual Report for 2022/23.

Agenda Item 16 - Audit Governance Committee Draft Annual Report 2022.23 **346 - 373**
Agenda Item 16 - Appendix A Audit Governance Committee Draft Annual Report 2022.23 Final Draft

The Press and Public may be excluded during consideration of the following items.

Date Published: Monday, 03 July 2023
Denise Park, Chief Executive

AUDIT & GOVERNANCE COMMITTEE
Tuesday 2nd March 2023

PRESENT – *Dave Harling (in the Chair) Councillors Baldwin and, Imtiaz.*

OFFICERS – *Colin Ferguson (Head of Audit & Assurance) Simon Ross, (Head of Finance) Jenny Bradley (Finance Manager) Mohsin Mulla (Business Manager) and Phil Llewellyn (Corporate & Democratic Lead),*

The Councils Auditors- John Farrar and Gareth Winstanley (Grant Thornton).

RESOLUTIONS

25. **Welcome and Apologies**

The Chair welcomed everyone to the meeting.

26. **Minutes of the meeting held on 29th November 2022**

The Minutes of the meeting held on 29th November 2022 were submitted for approval.

RESOLVED – That the Minutes of the meeting held on 29th November 2022 be approved as a correct record and signed by the Chair.

27. **Declarations of interest**

No Declarations of interest were made by members of the Committee.

28. **Significant Partnerships Register 2022/23**

Mohsin Mulla presented a report which provided Members with an update on the Significant Partnerships Register for 2022/23, which identified all the significant partnerships that involved the local authority as per the Audit & Governance Committee's Terms of Reference.

The Significant Partnerships Register was attached at Appendix 1 and Members were asked to review and approve the document.

RESOLVED- That the Significant Partnerships Register be approved.

29. **External Audit – Audit Committee Progress Report**

John Farrar and Gareth Winstanley presented a report with an update on the work of Grant Thornton since the last meeting.

In terms of the Financial Statements Audit 2020/21, this was nearing completion, although there was one area in particular to be resolved, relating to the Council accounting for its interest in Blackburn Shopping Centre. Discussions were ongoing and it was expected the audit report would be issued ahead of the June meeting.

Work on the Financial Statements Audit 2021/22 was progressing well, with no significant matters that needed to be brought to the attention of Members at present.

In relation to Value for money – the 2020/21 Auditor's Annual Report had previously been issued as a draft, and would be finalised at the same time as the Financial Statements, Work was ongoing on the 2021/22 Annual Report.
.
Work had concluded on the Council's annual Housing Benefit Subsidy claim, with the report to DWP issued ahead of the deadline. The claim had been amended for one minor issue, but had no impact on the overall subsidy received by the Council.

RESOLVED –

That the report be noted.

30. Treasury Management Report – October 2022 –December 2022

Jenny Bradley presented a report which contained monitoring information for the Treasury Management function for the period 1st October 2022 to 31st December 2022.

The report summarised the interest rate environment for the period and the borrowing and lending transactions undertaken, together with the Council's overall debt position, as well as position against Treasury and Prudential Indicators established by the Council.

The Treasury Management Strategy for 2023/24 was also submitted, which was due to be presented to Executive Board for approval on 9th March 2023.

RESOLVED – That the Audit and Governance Committee:

1.1. Notes the Treasury Management position for the period; and
1.2. Notes the Treasury Management Strategy for 2023/24 which is due to be presented to Executive Board for approval on 9th March 2023.

31. Audit & Assurance – Progress & Outcomes to January 2023

Colin Ferguson presented a report which informed Committee Members of the achievements and progress made by Audit & Assurance in the period from 1st November 2022 to 31st January 2023.

The report advised that in terms of the National Fraud Initiative, the Council took part in a bi-annual data matching exercise, administered by the Cabinet Office. Having submitted all the required datasets on time the Council had recently received the output from these reports. In total, 5,911 data matches have been received. Appropriate action would now be taken to review and progress these data matches, in liaison with colleagues in relevant departments. Committee Members would be provided with progress updates in due course.

The report also gave information on the 14 audits completed and finalised since the last Committee, as well as highlighting Internal Audit performance for the latest period.

RESOLVED – That the outcomes achieved to January 31st 2023 against the annual audit and assurance plan 2022/23 be noted.

32. Audit & Assurance Plan 2023/24 and Internal Audit Charter

Members received a report advising of the planned Audit & Assurance work for the forthcoming year.

The Internal Audit Charter was also submitted for approval, which was a requirement of the PSIAS, which became mandatory from 1 April 2013. The Charter was last re-approved at the Audit & Governance Committee meeting in March 2022. The Charter had been reviewed and no changes are deemed necessary for 2023/24.

RESOLVED –

That the Audit & Governance Committee:

: • approve the 2023/24 Annual Audit & Assurance Plan and supporting Statement and draft two year Strategic Audit Plan (as set out in Appendices 1,2 and 3);

• approve the Internal Audit Charter (as set out in Appendix 4);

• note that reports dealing with both progress against the Plan and outcomes achieved will be submitted to each meeting; and

• note that Plan changes will be reported during the year.

33. Risk Management – Quarter 3 Review

Colin Ferguson presented a report which detailed the risk management activity that had taken place in the period from 1st October 2022 to 31st December 2022.

As of 31st December 2022, there were 20 open risks, which were summarised in Appendix 1 of the report, with the top corporate risks being:

- Risk Ref 1 - Failure to deliver a balance budget and Medium Term Financial Strategy, which may result in a Government Commission taking control of the Council's finances;
- Risk Ref 14 - A high profile serious or critical safeguarding case that is known to the Council services, in light of Covid-19 working arrangements;

- Risk Ref 17 – Cyber security failures leading to financial, data loss, or disruption to services from compromise of the IT network or systems.
- Risk Ref 18 - Insufficient budget for service delivery if MTFS income targets from the Growth Agenda are not met; and
- Risk Ref 24 - Failure to respond effectively and proportionately to develop and implement plans/adaptations, within the scope of the Council's control and influence, in pursuit of its ambition to be a Carbon Neutral Borough.
- Risk Ref 28 – The risk to the delivery of public services as a result of ongoing industrial unrest and strike action in the NHS and affecting other key partners and sectors may have on public services.

Members were reminded that as part of the Council's Risk Management process, corporate risks were reviewed and monitored on a regular basis to ensure that the Council had appropriate, properly assessed corporate risks identified going forward. The Corporate Leadership Team (CLT) reviewed the risk details as part of the Management Accountability Framework reporting arrangements, as well as the on-going review and update of the risks by the designated risk owners and key contacts.

RESOLVED -

1. That the risk management activity during this period be noted; and
2. That Corporate Risk 25 be reviewed in the session directly before the September meeting (The impact that the cost of living crisis may have on local businesses and residents, and the implications that this may have on Council staff, services and budgets.

34. Audit & Governance Committee – Effectiveness Self Assessment

Members received a copy of the Practical Guidance for Local Authority and Police Audit Committees published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This included a good practice self-assessment checklist and toolkit to evaluate a Committee's effectiveness against the principles set out in CIPFA Position Statement.

The checklist and evaluation had been completed by the Head of Audit & Assurance on behalf of the Committee and were presented for the Committee's consideration. The results of each of these assessments were set out in appendices to the report.

It was reported that the Council's Audit & Governance Committee arrangements were largely compliant with the recommended guidance. The only areas where full compliance could not be provided were:

- Question 6: The Committee membership Includes at least two coopted independent members to provide appropriate technical expertise;
and

- Question 19: The Audit & Governance Committee had not obtained feedback from others interacting or relying on its work.

The Constitution had recently been updated to allow the Committee to appoint two non-voting co-opted independent members to its membership. Arrangements to appoint these members would be progressed during 2023.

Members discussed the report, in particular previous best practice recommendations about the recruitment of Independent Members to the Committee, which was an ongoing discussion, but would be progressed.

It was noted that the Committee's Annual Report was presented to Full Council for consideration, along with the minutes from the previous year's meetings. This presented an opportunity to obtain feedback on the Committee's performance from Councillor colleagues at least annually.

RESOLVED -

That that the Committee consider that the results of the assessment now submitted to be evidence to confirm the Committees effectiveness and that it is operating in accordance with best practice.

Signed: ………………………………………………….

Date: …………………………………………………….
Chair of the meeting
at which the minutes were confirmed

DECLARATIONS OF INTEREST IN

ITEMS ON THIS AGENDA

Members attending a Council, Committee, Board or other meeting with a personal interest in a matter on the Agenda must disclose the existence and nature of the interest and, if it is a Disclosable Pecuniary Interest or an Other Interest under paragraph 16.1 of the Code of Conduct, should leave the meeting during discussion and voting on the item.

Members declaring an interest(s) should complete this form and hand it to the Democratic Services Officer at the commencement of the meeting and declare such an interest at the appropriate point on the agenda.

MEETING: **Audit and Governance Committee**

DATE: **11th July 2023**

AGENDA ITEM NO.**:**

DESCRIPTION (BRIEF):

NATURE OF INTEREST:

DISCLOSABLE PECUNIARY/OTHER (delete as appropriate)

SIGNED :

PRINT NAME:

(Paragraphs 8 to 17 of the Code of Conduct for Members of the Council refer)

BLACKBURN *with* DARWEN BOROUGH COUNCIL
HEALTH & SAFETY ANNUAL REPORT
2022-23

ACCIDENTS, INCIDENTS AND NEAR MISS DATA

There have been **737** reported incidents over the last year, a significant increase on last year mainly due to more active encouragement of reporting incidents and near misses. The 2020-21 figure was influenced by the pandemic where many people were working from home or working in a different way.

2021 -22	2020-21
618	385

The Health, Safety & Wellbeing Team review each and every report received. Where necessary, further information is requested from departments to ensure that appropriate measures are considered and have been put in place to reduce or eliminate the risk of reoccurrence.

Incident Reports Received between 01/04/2022 and 31/03/2023

Total Number of Reports	Total Number of Incidents	Total Number of Near Misses	RIDDOR Reportable Incidents
737	545	192	5

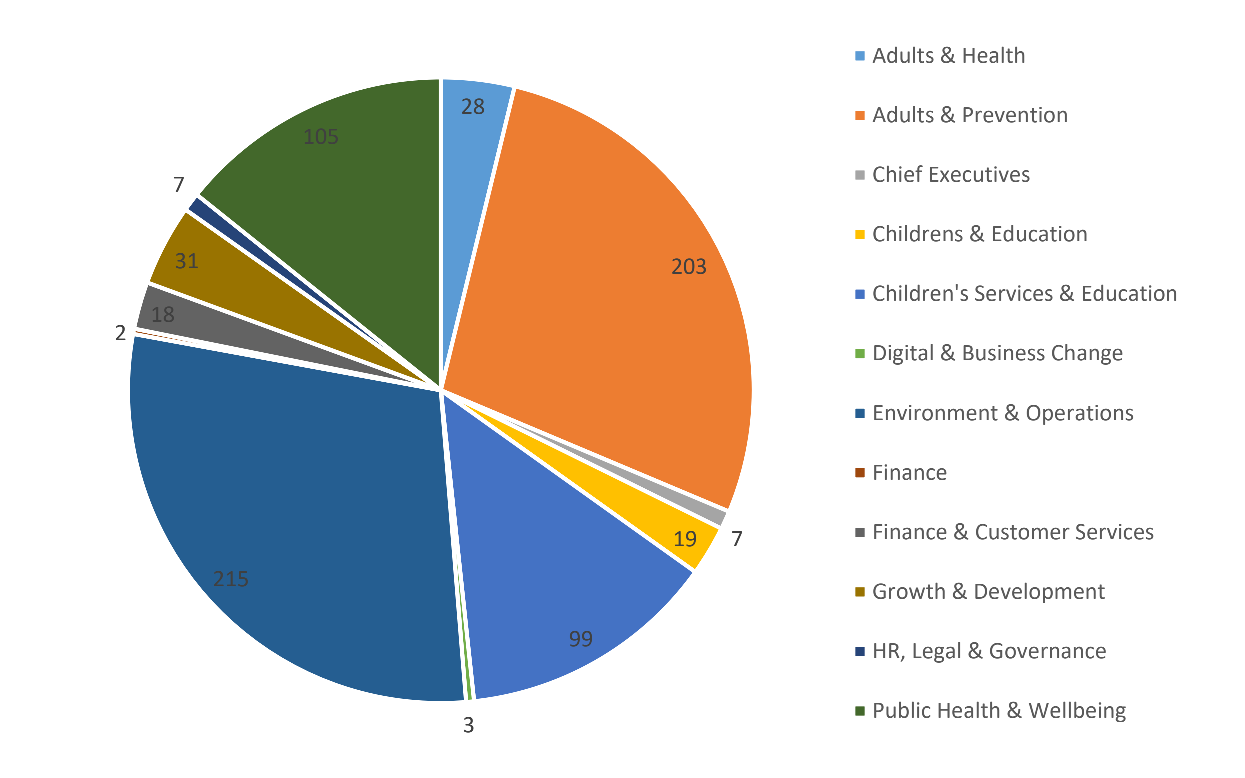
RIDDOR Reports

Five RIDDOR reports were filed with the HSE, which is below the Council's KPI. Four were employees with 'Over 7-day Injury' and one was a "member of the public taken to Hospital"

RIDDOR details:

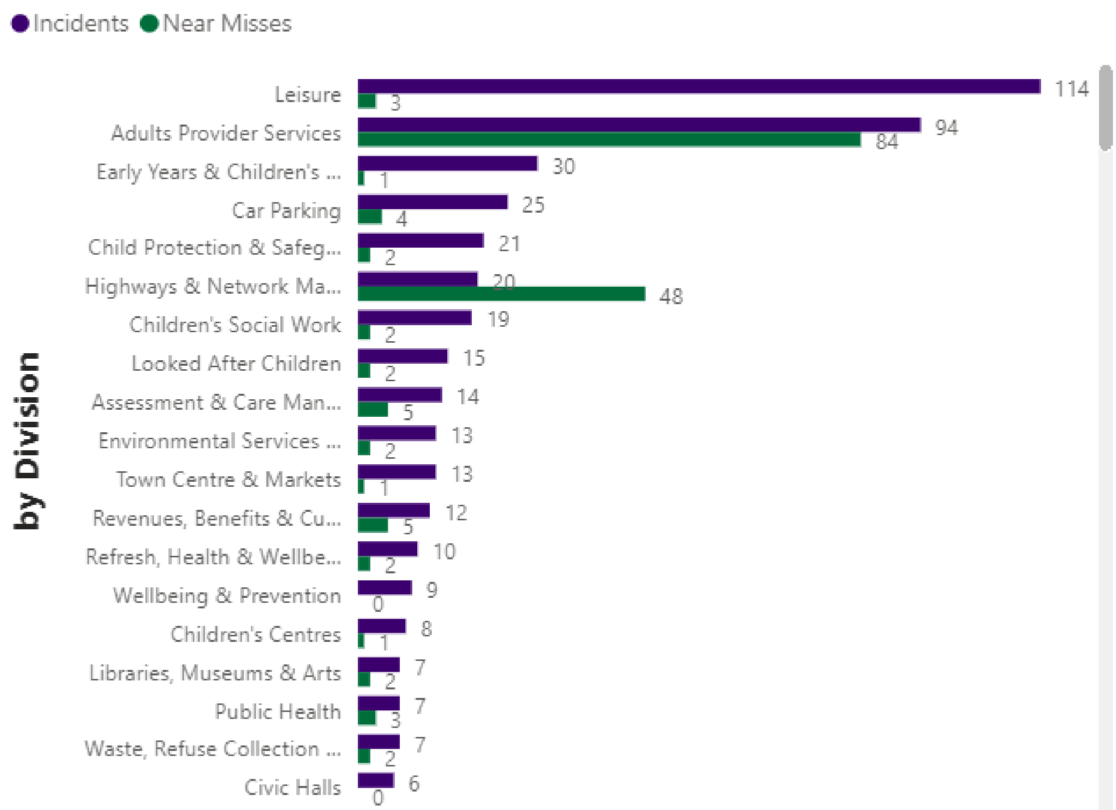
1 x Slip, Trip and Fall – Member of the Public slipped on leaves on a public footpath
2 x Lifting and Handling – both accidents causing injuries to fingers
1 x Contact with Machinery – causing injury to thumb.
1 x Struck by an Object – causing injury to left hand and left leg

Incidents by Department



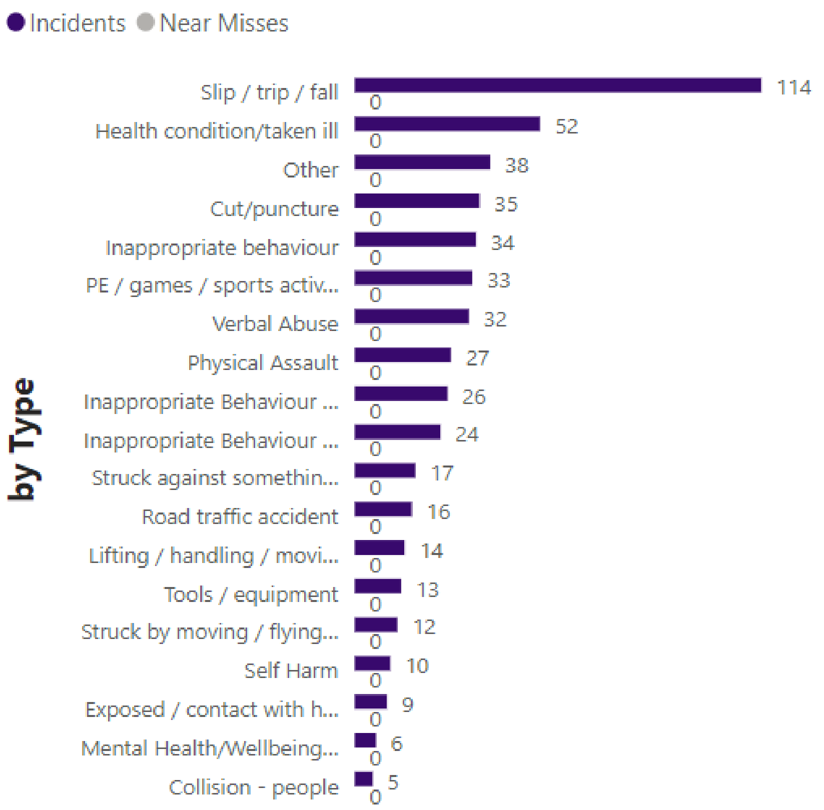
Due to recent corporate departmental changes, some departments have moved directorates and some directorates have been renamed. This is reflected above and a high proportion of incidents are reported from Environment and Operations and Adults and Health. Leisure has now moved into Environment and Operations though some of their data for the year above will appear within Public Health and Wellbeing.

Incidents by Division

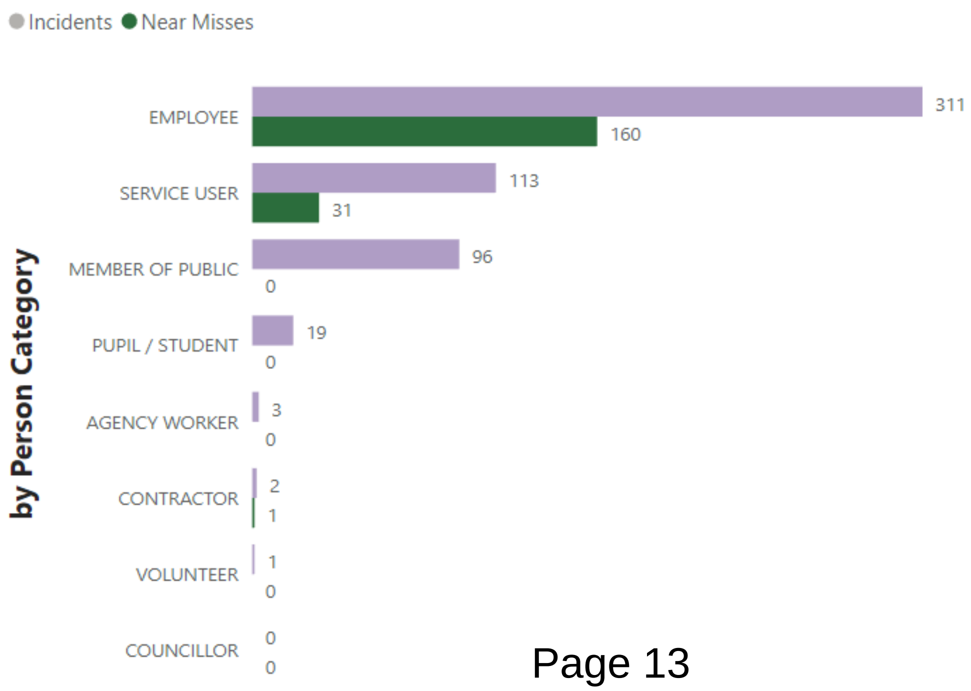


Some divisions have been renamed or moved around in the last 12 months. The key messages here are Adult Provider Services relates predominantly to Albion Mill Services and a significant number of near miss incidents whilst the service was being embedded. The spike of 114 incidents is actually from the Leisure teams, where additional support and training has been targeted.

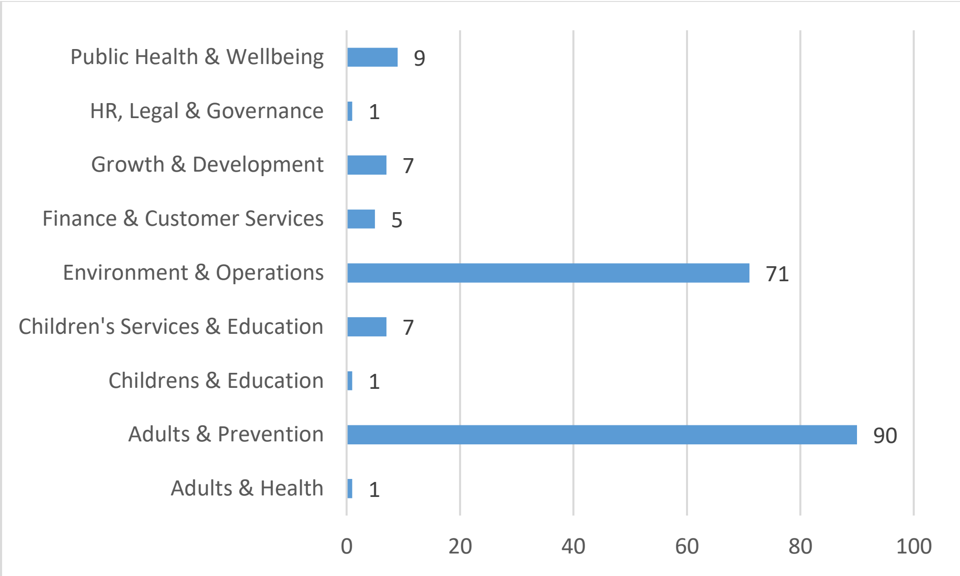
Incidents by Type



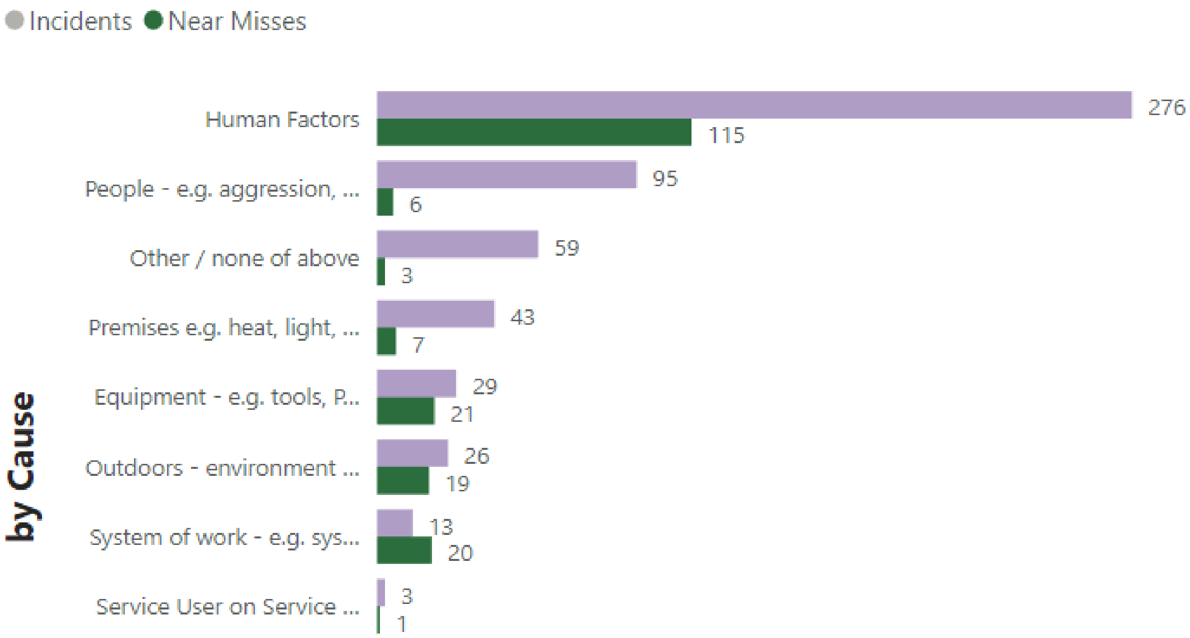
Category of Person



Near Misses by Department



Incidents by Immediate Cause



KEY HIGHLIGHTS FROM 2022/23

The team have maintained health and safety consultancy support across the council and to schools and some of the key highlights of work this year include:

- Reviewed all accidents, incidents and near misses reported to the team from schools and council departments and provided advice where required, including undertaking full investigations for more significant incidents and reporting RIDDORS to the HSE where relevant.
- Undertaken termly visits with schools as part of the Service Level Agreement, this year focussing on Accident Reporting and Investigation and on full Site Inspections.
- Delivered various training courses to schools, including H&S Responsibilities, Working From Height, Site Supervisor Safety & Responsibility, Managing Stress and Manual Handling
- Numerous Display Screen Equipment assessments have been undertaken and advice given to both staff and managers, in order to support staff with specific concerns or conditions.
- Working in conjunction with Insurance, identifying risks and threats to the council and supporting in the defence of several civil claims against the Council.
- Support for teams at Davyfield Road depot including:
    - Fortnightly inspections of the external areas
    - Support with reviewing risk assessments
    - Investigation of more significant incidents and RIDDOR events
    - Working closely with Parking Services on risk assessing CEO activities and providing Conflict Management training for the team
    - Delivering training to various teams on manual handling, health and safety responsibilities and on reporting and investigating incidents.
    - Managing a programme of face fit testing for staff exposed to dusts and gases
- Participation and more recently management of the Events Safety Advisory Group advising on safety matters and managing risks for events taking place across the borough
- Concentrated advice and support at Albion Mill.
- Facilitating and delivering the corporate Health & Safety Committee and various sub committees.
- Support the Health and Safety Action Group at Davyfield Road Depot, covering some of the Council's higher risk areas, including the reinstatement of the Road Risk Management Group.
- Following the trend and number of aggressive incidents reported, set up a Violence and Aggression Focus Group which meet bi-monthly. Some of the action taken by the Group to date includes:
    - Development of a new Violence & Aggression Policy
    - Personal Safety training programme established and delivery underway
    - Closer working with Community Safety colleagues to take action against those who abuse or assault our employees
    - Review of the councils caution list and application process
    - Promotion of reporting of incidents to ensure aggression does not become an accepted part of any role
- Delivery of health surveillance to teams exposed to noise and vibration.
- Dedicated support to Leisure Service including full training programme delivery, health and safety audits at all sites and actions plans developed, support with risk assessment reviews and appropriate control measures as well as support with incident reporting and investigation.

PLANS & PRIORITIES FOR 2023-24

The overarching objective for the council's Health & Safety function this year is to support the council and local schools in implementing and embedding robust health and safety management systems. This ensures that our council functions, buildings and schools are safe for all. Key activity to help deliver this includes:

- Service Level Agreements for schools have been renewed with 54 schools purchasing our service.
- All health and safety guidance documents and templates have been reviewed and updated and will ready for uploading to the new intranet.
- Dedicated support from the team will continue to be provided to services based at Davyfield Road depot and to the Leisure teams.
- Plans are underway to provide more proactive support to Adulr Services, Children's Services and Growth and Development.
- The team will be supporting a full fire safety review of all council buildings and helping with implementation of remedial actions
- Health and Safety Corporate Compliance checks on services and buildings across all council departments are being undertaken and will identify any gaps and help shape the team's focus in the coming months.
- Understanding where the health and safety obligations lie for any properties leased from the council and ensure that appropriate management and monitoring is in place.
- Health and Safety Action Groups at key sites will be established and will feed into the wider Health & Safety Committee – e.g. at Duke Street and Blackburn Town Hall.
- A programme of full Health & Safety audits will be planned for high risk locations and services
- Mandatory Health and Safety training via the e-learning portal is due for completion by all staff and courses include: Health and Safety in the Workplace, Manual Handling and Fire Safety.
- A programme of face to face health and safety training will be developed, given resources available, and will be made available to employees.
- A programme of Personal Safety courses, available to all teams, is already underway and will continue throughout the year.
- For some teams who routinely face verbal abuse and aggression during the course of their duties, conflict management/de-escalation training will be sourced.
- Continue with the Violence and Aggression Focus Group for the foreseeable future, working closely with the Community Safety team and seconded Police Officers to provide additional support to staff who report aggressive incidents.

TO:	Audit & Governance Committee
FROM:	Head of Legal and Procurement
DATE:	27 June 2023

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Waivers from Contract and Procurement Procedure Rules

1. PURPOSE

To inform Committee Members of the volume of waivers from the Contract and Procurement Procedure Rules

2. RECOMMENDATIONS

The Committee is asked to:

- Note the contents of the report
- Agree the frequency and content for future reports

3. BACKGROUND

Under rule 13 of the Council's Contract Procurement Procedure Rules waivers from those rules are permitted for specific reasons set out in the rules.

In 2022 the Contracts and Procurement Team introduced a digital system for submitting and recording waivers using Microsoft Forms, Lists and Power Automate. Waivers are submitted by completing a form on Microsoft Forms. An automated workflow records this on a central list and notifies the Head of Legal and Procurement who completes sections advising on legal implications and makes a recommendation. The waiver is then automatically sent to the relevant director to make a decision. Once they make the decision this is automatically recorded on the list. The officer who submitted the waiver is provided an automatic update email of progress at each stage.

A Power Bi dashboard based on that List for the last financial year is contained at Appendix A.

4. RATIONALE

Officers are aware of issues in other Councils where excessive and inappropriate use of waivers can be an indication of wider governance issues. As part of the committee's role to oversee the annual governance process and the arrangements to secure value for money it was felt that it was appropriate for this report to be brought to this committee to show that the Council does have an appropriate system in place, and for the committee to discuss and agree the oversight it wishes to have.

5. KEY ISSUES

89 waivers were approved in 2022/23. This is higher than previous years which were typically around about 60 per year. This could be down to the new automated process being easier to use and track than the previous version so departments are more willing to use the process. It may also be partially down to increased engagement with departments highlighting the need for compliance with Contract and Procurement Procedure Rules including the use of waivers where appropriate. However there is a risk that a culture of waivers being the easy option emerging. The Head of Legal and Procurement is therefore highlighting to Extended Leadership the importance of the competitive process and advice on how to avoid the need for waivers in the future.

The average value of contract waived was high at £103k but this was impacted by having to extend a number of high value Public Health and Adult Social Care contracts whilst procurement exercises and reviews took place. The median value of contracts waived was £32k which is more typical of waivers received.

There were a variety of reasons for waivers but some common recurring themes were:

- As mentioned above a number of high value contracts in Public Health and Adult Social Care needed additional time to allow procurements and reviews of arrangements to take place. This was in part impacted by capacity in the respective teams.
- A number of times funding was bid for but then once confirmation of funding was received there was little time to conduct procurement exercises and deliver the project, necessitating a waiver. Departments have been advised that in future they should commence procurement in advance of confirmation so the are ready to go when confirmation is received.
- Agency staffing has been the subject of a number of waivers with the contract with Reed not able to meet needs. Procurement team will review this and look to procure an alternative.

So far in this in this financial year there has been 15 waivers down from 19 in the same period last year which indicates numbers may be coming down slightly and could indicate that procurement exercises recommended by the Head of Legal and Procurement on previous waivers are now being implemented.

Following on from this report the Head of Legal and Procurement will be contacting Extended Leadership to highlight the importance of following procurement procedures and to emphasise that waivers should be the exception.

6. POLICY IMPLICATIONS

Compliance with Contract Procurement Procedure Rules helps to deliver the Council’s Procurement Strategy and Social Value Policy.

7. FINANCIAL IMPLICATIONS

Ensuring contracts are procured effectively is key for delivering value for money.

8. LEGAL IMPLICATIONS

The rules and waiver process are designed to ensure compliance with Public Contracts Regulations 2015. The Head of Legal and Procurement comments on any legal implications of any waiver request.

9. RESOURCE IMPLICATIONS

There are no resource implications arising as a result of this report.

10. EQUALITY & HEALTH IMPLICATIONS

There are no equality or health implications arising as a result of this report.

11. STATEMENT OF COMPLIANCE

The recommendations in this report are made further to advice from the Monitoring Officer. The Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

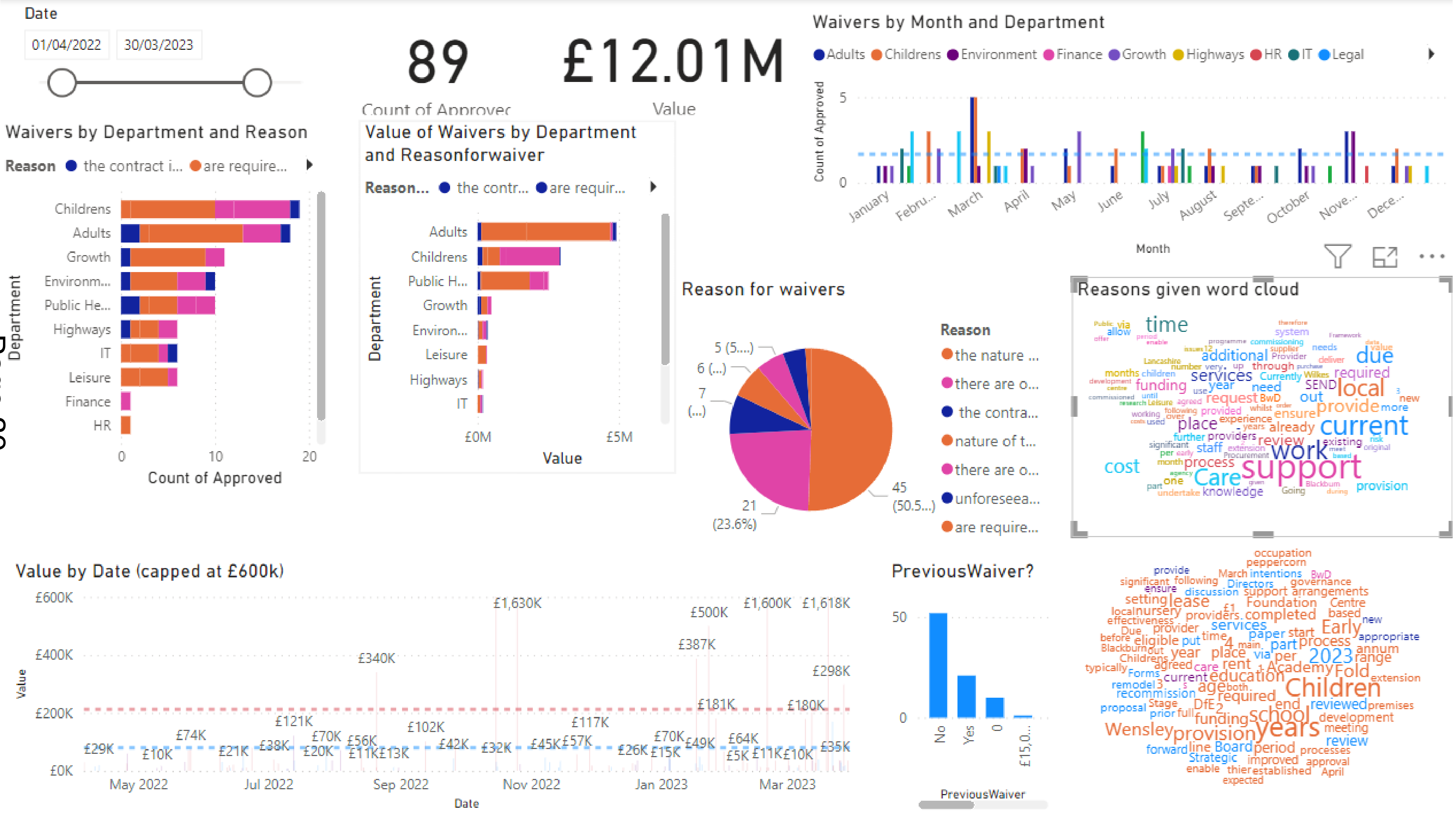
12. CONSULTATIONS

Directors

Contact Officer: Chris Bradley, Head of Legal and Procurement

Background Papers: Contract Procurement Procedure Rules

Appendix A



Date
01/04/2022
30/03/2023
89
Count of Approved
£12.01M
Value
Waivers by Month and Department
Adults Childrens Environment Finance Growth Highways HR IT Legal
Count of Approved
Month
January Febru... March April May June July August Septe... October Nove... Dece...
Waivers by Department and Reason
Reason the contract i... are require...
Childrens Adults Growth Environm... Public He... Highways IT Leisure Finance HR
Department
Count of Approved
Value of Waivers by Department and Reasonforwaiver
Reason... the contr... are requir...
Adults Childrens Public H... Growth Environ... Leisure Highways IT
£0M £5M
Value
Reason for waivers
5 (5....)
6 (...)
7 (...)
21 (23.6%)
45 (50.5...)
Reason
the nature ...
there are o...
the contra...
nature of t...
there are o...
unforeseea...
are require...
Reasons given word cloud
Value by Date (capped at £600k)
£600K £400K £200K £0K
£1,630K £500K £1,600K £1,618K £387K £340K £298K £181K £180K £121K £117K £102K £74K £70K £64K £57K £56K £49K £45K £42K £38K £35K £32K £29K £26K £21K £20K £15K £13K £11K £10K £5K
May 2022 Jul 2022 Sep 2022 Nov 2022 Jan 2023 Mar 2023
Date
Value
PreviousWaiver?
50
0
No Yes 0 £15,0...
PreviousWaiver

Audit Findings for Blackburn with Darwen Borough Council

Year ended 31 March 2021

July 2023

Contents

Your key Grant Thornton team members are:

John Farrar
Key Audit Partner
E john.farrar@uk.gt.com

Gareth Winstanley
Engagement Manager
E gareth.j.winstanley@uk.gt.com

Raymon Danao
Audit Incharge
E raymon.danao@uk.gt.com

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

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

Name : John Farrar
For Grant Thornton UK LLP
Date : July 2023

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Blackburn with Darwen Borough Council ('the Council') and the preparation of Council's financial statements for the year ended 31 March 2021 for those charged with governance.

Page 24

Financial Statements

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

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

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

Our findings are summarised on pages 5 to 25.

We have identified a number of adjustments to the financial statements impacting the comprehensive income and expenditure statement, balance sheet and the movement in reserves statement, as outlined on pages 35-37. There are three resultant prior period adjustments in connection with heritage assets, the Council's lease accounting treatment for the shopping centre mall and the classification of LOBO borrowings. Other identified issues are disclosure changes. All changes are highlighted on pages 35-40.

The unadjusted mis-statements, which management chose not to amend as these were not considered material, are outlined on page 37.

Our work audit work is now substantially complete. The only outstanding matters are highlighted below:

- receipt of signed management representation letter.

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

We expect to issue an unmodified audit report.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: - Improving economy, efficiency and effectiveness; - Financial sustainability; and - Governance	We have completed our VFM work, and our detailed commentary is set out in the separate Auditor's Annual Report. We are satisfied that the Council have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	During the course of our audit we considered four matters raised by members of the public, but did not have cause to exercise any of our additional statutory powers or duties. We have completed the majority of our work under the Code and expect to be able to certify the completion of the audits when we give our audit opinions.
Significant Matters	We have encountered a number of difficulties in undertaking the audit of the Council's revalued assets, in particular the absence of a clear audit trail summarising assumptions adopted by the valuer and challenges around obtaining suitable supporting evidence. We did not encounter any significant difficulties or identify any significant matters relating to other aspects of the audit.

2. Financial Statements

Overview of the scope of our audit

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

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- An evaluation of materiality considering the Council's gross revenue expenditure; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have identified one other risk since issuing our audit plan, in relation to the valuation of infrastructure assets as outlined on page 11.

Conclusion

Our audit work is substantially complete and we propose issuing an unqualified audit opinion as outlined in Appendix E.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted in our Audit Plan, the impact of the pandemic meant that both your finance team and our audit team faced significant audit challenges at the start of the 2020/21 audit, due to remote access working arrangements. We have worked effectively with your finance staff remotely accessing financial systems, video calling and verifying the completeness and accuracy of information provided remotely by the Council.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan in October 2021.

We detail in the table opposite our determination of materiality.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	6,800,000	Financial performance, focussing on the expenditure.
Performance materiality	4,800,000	Quality of working papers in prior year and client's response to audit processes
Trivial matters	340,000	The amount below which matters would be considered trivial to the reader of the accounts.
Materiality for senior officer remuneration	20,000	Materiality has been reduced for remuneration disclosures due to the sensitive nature and public interest.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, this was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; and • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. A sample of journals was selected based on consideration of specific risk based criteria. Testing has not identified any instances of management override and that journal entries are consistent with expectations. One internal control deficiency was identified relating to self authorisation of journals as outlined on page 20, we are satisfied that the journal in question was appropriate and reasonable and that the Council took prompt action to address the deficiency. We did not identify any changes in accounting policies or estimation processes and review of key estimates has not identified any matters to bring to your attention. Our audit work has not identified any evidence of management over-ride of controls.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
ISA240 revenue and expenditure recognition risk Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. In the public sector, whilst it is not a presumed significant risk, in line with the requirements of Practice Note (PN) 10: Audit of financial statements of public sector bodies in the United Kingdom, we also consider the risk of whether expenditure may be misstated due to the improper recognition of expenditure. This risk is rebuttable if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition.	Revenue As detailed in our Audit Plan, we do not consider this to be a significant risk for the Council. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because: • there is little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Blackburn with Darwen, mean that all forms of fraud are seen as unacceptable. Therefore and as reported in our Audit Plan, we do not consider this to be a significant risk. Whilst not a significant risk we have performed audit procedures and testing of material revenue items. Our work did not identify any matters that would lead to a change in our risk assessment. Expenditure Our Audit Plan highlighted that we consider that we are able to rebut the significant risk in relation to expenditure as we concluded that there is no risk of material misstatement due to fraud relating to expenditure recognition. Our work has not identified any matters that would lead to a change in our risk assessment.

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2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of land and buildings

Revaluation of property, plant and equipment should be performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Investment property carried at fair value should be revalued at each year end.

Additionally, valuations are significant estimates made by management in the accounts.

Our 2019/20 opinion included an emphasis of matter paragraph drawing attention to disclosures included in the financial statements of a material uncertainty attached to property valuations as at 31 March 2020 due to the ongoing nature of the COVID-19 pandemic. This paragraph did not represent a modification of our audit opinion.

We have identified the valuation of land and buildings and investment property as a significant risk.

Commentary

We have:

- reviewed management's processes and assumptions for the calculation of the estimate,
- reviewed the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- written to the valuer to confirm the basis on which the valuation was carried out in order to ensure that the requirements of the Code are met;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register.

Findings

Our review of the work of the valuer identified a series of challenge questions which led to additional work being performed. As a result the Council made an amendment of £3.630m to the valuation of its Other Land and Buildings, further information is provided on page 12-13. The main reason for the amendment was that the Council had valued a number of assets which it leases to third parties and receives a peppercorn rent of £1, at a valuation of £1, which after following challenge were revalued by the Council. Our testing identified potential further mis-statements totalling £0.971m, which when extrapolated across the Council's revalued asset base, could potentially result in a mis-statement of £3.470m, this was in respect of relatively insignificant differences of judgement between ourselves and the valuer based on our sample testing.

We have made a number of recommendations (page 31) aimed at improving the audit trail to support the Council's valuation of its Property, Plant and Equipment assets.

We are satisfied that the value of Property, Plant and Equipment is not materially misstated within the financial statements.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£325.2m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability.

During 2020/21 the Council made an early payment of contributions to the Pension Fund of £38.3m, covering the three financial years 2020/21 - 2022/23. As the accounting requirements for pensions in local government are already complex, this could further increase the risk of misstatement.

We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

Commentary

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management experts (actuaries) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuations;
- assessed the accuracy and completeness of the information provided by the Council to the actuaries;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports; and
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

Our work concluded that all assumptions are considered to be in line with expectations and we have not identified any issues with the estimation process. Following a request during the course of the audit. the Council obtained a revised actuarial report to ensure that the pension liability disclosed in the financial statements agreed with actuary's estimated liability having considered the impact of the Council's decision to make an early payment of contributions covering the financial years 2020/21 – 2022/23. We are satisfied that the pension liability agrees to the revised actuarial report.

Page 14 provides a detailed assessment of the estimation process for the valuation of the pension fund net liability. We have found no issues with the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary.

Our assessment of the work of the actuary confirmed that they were competent and independent.

2. Financial Statements - Other risks

Risks identified in our Audit Plan	Commentary
Valuations of Infrastructure Assets The CIPFA Code of Practice on Local Authority Accounting states that Infrastructure assets shall be measured at depreciated historical cost. Historical cost is deemed to be the carrying amount of an asset as at 1 April 2007 (i.e. brought forward from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment. We identified a risk that the carrying value of infrastructure assets is not appropriate given the nature of how the assets are held on the balance sheet and monitored through the asset register.	The inherent risks which we identified in relation to infrastructure assets were: • an elevated risk of the overstatement of Gross Book Value and accumulated depreciation figures, due to lack of derecognition of replaced components • a normal risk of understatement of accumulated depreciation and impairment as a result of failure to identify and account for impairment of infrastructure assets and an over or understatement of cumulative depreciation as a result of the use of inappropriate useful economic lives (UELs) in calculating depreciation charges. We have been working with CIPFA and the English Government to find both long-term and short-term solutions which recognise the information deficits and permit full compliance with the CIPFA Code. It has been recognised that longer-term solutions, by way of a Code update, will take several years to put into place and so short-term solutions are being put in place in the interim. These short-term solutions include the issue of a Statutory Instrument (SI) by government. The English SI was laid before Parliament on 30 November 2022 and came into force on 25 December 2022. CIPFA issued an update to the Code for infrastructure assets in November 2022 and has issued further guidance in January 2023 in relation to useful economic lives (UELs). We have completed the following work focusing on the Council's current year's infrastructure assets: - reviewed and challenged the arrangements that the Council has in place around impairment of infrastructure assets - evaluated management's processes and assumptions for the calculation of the estimate including review of in-year depreciation and associated UELs - evaluated the competence, capabilities and objectivity of any management expert relied upon - challenged the information and assumptions used to inform the estimate - considered whether there has been any replacement of assets that have not been fully depreciated and evaluated the subsequent derecognition of the replaced assets. Based on our work, we are satisfied that the Council has: • correctly applied the SI and the requirements in the CIPFA Code update • appropriately removed the gross book value and accumulated depreciation from its disclosures adding a new disclosure setting out opening net book value and any in-year movements • not identified any prior period adjustments requiring disclosure in the accounts. The Council has demonstrated that the introduction of more appropriate useful economic lives would not lead to a material mis-statement of depreciation or net book value of infrastructure assets in respect of 2020/21 (impact £2.118m). This is outlined on page 38 as part of the impact of unadjusted misstatements. We have made one recommendation on page 33 in respect of the need for more granular level of infrastructure information in the Council's fixed asset register, which will assist the Council in the future when there is an expectation of the need to have more information on the various components which make up infrastructure assets.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments
Land and Building valuations – £230.6m	The Council request their internal valuer to revalue other land and building on a 5 year cycle, using depreciated replacement cost (DRC) for specialised assets such as schools, libraries, galleries and leisure centres. The remainder of operational other land and buildings are required to be revalued at existing use value (EUV). In 2020/21 the Council revalued £132.2m of other land and buildings. Management have also considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31/3/21. The total year end valuation of land and buildings was £230.6m, a net increase of £8.4m from 2019/20 (£222.2m).	The Council's accounting policy on valuation of land and buildings is included in Note 13 to the financial statements. The values provided by the valuer have been used to inform the measurement of property assets at valuation in the financial statements. In understanding how management has calculated the valuations we have: • assessed the qualifications, skills and experience of the valuer and determined the service to be appropriate; • ensured the underlying information and sensitivities used to determine the estimate were considered to be complete and accurate; • confirmed the valuer has prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates; and • reviewed the level of disclosure in the financial statements to confirm it is appropriate. Our audit of the Council's valuations highlighted a number of issues, the key ones being: • the valuer's report did not state the overall value of assets revalued in the year; • the disclosure table (Note 13) highlighting total value of assets revalued each year was materially incorrect; • historic building cost (BCIS) rates uplifted for inflation had been used, rather than the latest available BCIS rates at the date of valuation; • unusual rounding adjustments had been applied; • buildings should be more regularly inspected to ensure obsolescence adjustments are as accurate as possible; • the assumptions made regarding leased assets where the Council receives a peppercorn rent were challenged, resulting in a number of assets being revalued; and • specific valuer judgements were not always fully documented in the valuation calculations.

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2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £230.6m	The Council request their internal valuer to revalue other land and building on a 5 year cycle, using depreciated replacement cost (DRC) for specialised assets such as schools, libraries, galleries and leisure centres. The remainder of operational other land and buildings are required to be revalued at existing use value (EUV). In 2020/21 the Council revalued £132.2m of other land and buildings. Management have also considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31/3/21. The total year end valuation of land and buildings was £230.6m, a net increase of £8.4m from 2019/20 (£222.2m).	As a result of our audit work and challenge of the valuers work an adjustment to the Council's valuation of its Property, Plant and Equipment of £3.630m. There is also a potential mis-statements totalling £0.971m, which when extrapolated across the Council's revalued asset base, could potentially result in a mis-statement of £3.470m, this was in respect of relatively insignificant differences of judgement between ourselves and the valuer based on our sample testing. We have made a number of recommendations relating to the valuation of Property, Plant and Equipment as outlined on page 31. We are satisfied that the value of Property, Plant and Equipment is not materially misstated within the financial statements.	Grey

Page 34

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate: Net pension liability – £325.2m

Summary of management's approach

The Council's net pension liability at 31 March 2021 is £325.2m (PY £253.1m) comprising the Local Government Pension Fund and unfunded defined benefit pension scheme obligations. The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £72.1m net actuarial loss during 2020/21.

The Council's Actuary, Mercer Ltd, have calculated some approximate effects of the costs of extending the transitional protections to younger members. The costings of the potential effect of McCloud at 31st March 2021, based on individual member data as at 2019 actuarial valuation and the results of those calculations based on the IAS19 assumptions have been included in the net pension liabilities on the Council's Balance Sheet.

Audit Comments

In understanding how management has calculated the estimate of the net pension liability we have:

- assessed management's expert;
- assessed actuary's approach taken, detail work undertaken to confirm reasonableness of approach;
- used PwC as auditors expert to assess actuary and assumptions made by actuary as outlined in the table below

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.10%	2.10% – 2.20%	●
Pension increase rate	2.80%	2.80%	●
Salary growth	4.20%	3.95% - 4.20%	●
Life expectancy – Males currently aged 45 / 65	Male Pensioner 22.4 years Male non pensioner 23.9 years	Male Pensioner 20.9 - 23.2 years Male non pensioner 22.5 - 24.7 years	●
Life expectancy – Females currently aged 45 / 65	Female Pensioner 25.1 years Female non pensioner 26.9 years	Female Pensioner 24.0 - 25.8 years Female non pensioner 25.9 - 27.7 years	●

- assessed the completeness and accuracy of the underlying information used to determine the estimate;
- reviewed the impact of any changes to valuation method;
- assessed the reasonableness of the Council's share of LPS pension assets;
- assessed the reasonableness of the movement in the estimate;
- reviewed the adequacy of disclosure of estimate in the financial statements.

Our audit work has not identified any issues in respect of this significant estimate.

Assessment

Light Purple

We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Page 35

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Covid-19 Grants Income Recognition and Presentation – Due to the Covid-19 pandemic there has been a significant increase in the level of Covid related grant funding with associated complexity and management judgement required. This has comprised a mix of discretionary and non-discretionary schemes.	Management take into account three main considerations in accounting for grants: • whether the Council is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Management's assessment needs to consider all relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements. • whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income. • whether the grant is a specific or non-specific grant. General un-ringfenced grants are disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts. There may be significant judgements over the accounting treatment. Different conclusions may be reached by authorities depending on how they have applied any discretion in administering the schemes - are these judgements reasonable and sufficiently disclosed to meet the requirements of IAS 1:125.	We have tested a sample of grants received to confirm the following: • whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all; • assessed the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant is recognised as a receipt in advance or income; • assessed the impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES; • reviewed the adequacy of disclosure of judgement in the financial statements. Within Note 7 grants have been incorrectly classified as Covid-related grants rather that other government grants. Also, the note included fees and charges, which were wrongly included as contributions. This also impacts on Note 2, which analyses income between fees and charges and grants and contributions. The Council has amended the notes for this, neither of these incorrect classifications impact on the Council's reported revenue outturn position. Page 39 provides further details. Our audit testing has not identified any further issues.	Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Depreciation and useful economic lives of assets	Items of property, plant and equipment are depreciated over their remaining useful lives in a manner consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated. Management's accounting policy is that property depreciation should be applied with a straight-line allocation over the life of the property as estimated by the valuer.	We have: • reviewed the accounting policy; • recalculated the depreciation charge based on the useful economic lives as provided by the valuer as well as an overall recalculation of depreciation; • assessed the reasonableness of the useful economic life for a sample of assets; and • assessed the appropriateness of the policy in line with the financial reporting framework. Our audit work has not identified any issues in respect of this significant estimate.	Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

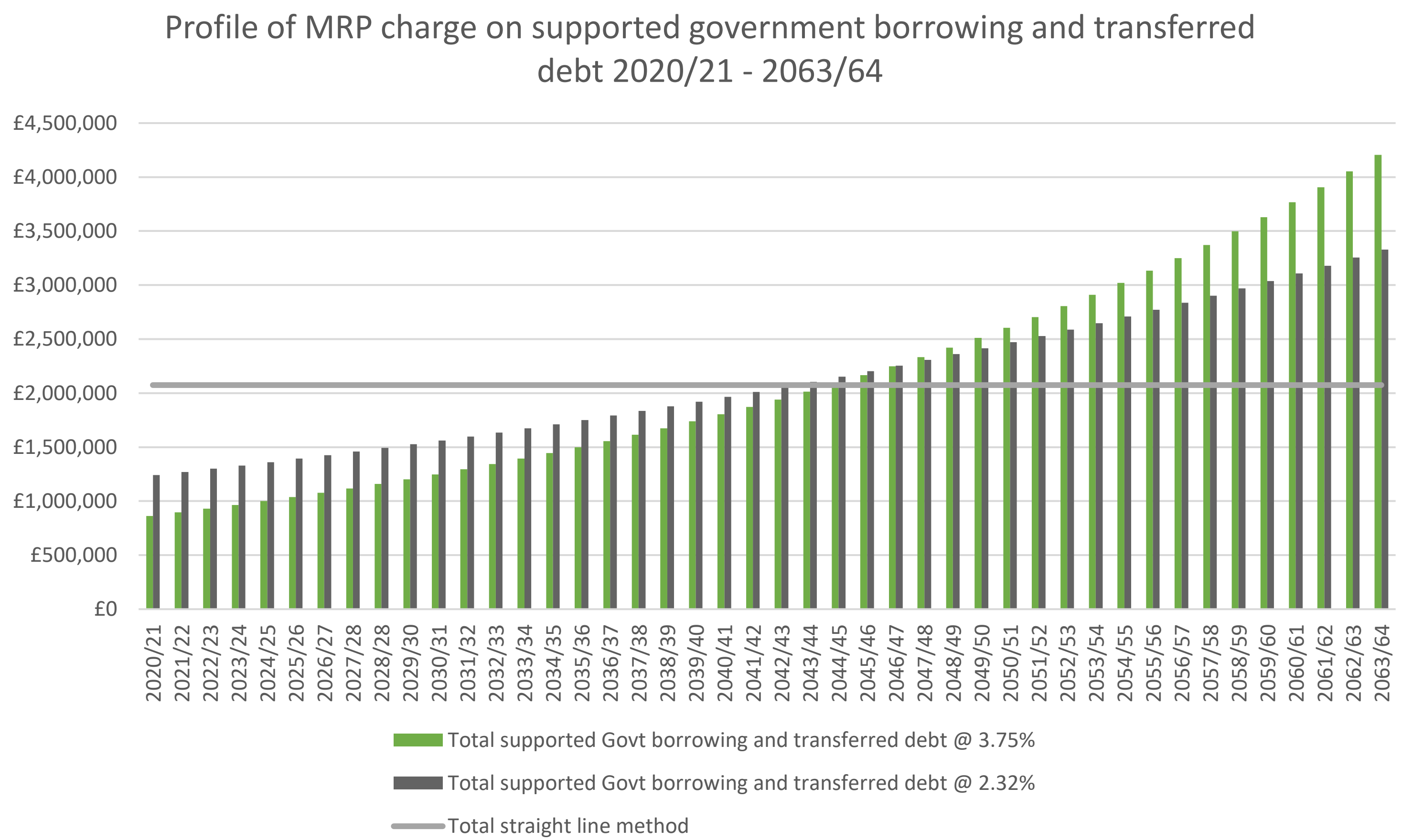
2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision (MRP) Local authorities are required to charge 'Minimum Revenue Provision' to their revenue account in each financial year as a consequence of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. The regulations give local authorities flexibility in how they calculate MRP, providing the calculation is 'prudent'. In calculating a prudent provision, local authorities are required to have regard to statutory guidance issued by the government from time to time, the current guidance was issued in 2018 and was applicable from 1 April 2019. All capital expenditure has to be financed either from capital receipts, capital grants or other capital contributions or eventually from revenue income. The broad aim of MRP is to require local authorities to put aside revenue over time to cover their 'Capital Financing Requirement' (CFR). In doing so, local authorities should align the period over which they charge MRP to one that is commensurate with the period over which their capital expenditure provides benefits. Government guidance includes four options for making prudent provision, but this does not rule out a local authority from using an alternative method, should it decide that is more appropriate. A local authority can change the method(s) that it uses to calculate MRP at any time and where it changes the method(s) that it uses it should explain why the change will better allow it to make prudent provision.	In 2020/21 the Council approved changes in its MRP policy for the 2020/21 and subsequent financial years. The changes relate to capital expenditure financed from debt arising up to 2007/08, all new Government-supported borrowing arising from 2007/08 and historic debt entered into prior to unitary authority status. The Council has adopted an annuity method of calculating MRP, rather than a straight-line basis that had previously been applied for these areas of capital expenditure. Since 2017 a total of £10.6m of capital receipts have been applied to reduce debt and the Council's CFR.	In line with the statutory guidance the Council reported the change in its MRP policy to members at the Finance Council on 1 March 2021, recommending that the proposed changes were to be implemented for 2020/21 and subsequent years. The report to Finance Council explained that MRP would be charged over 50 years from 2015/16 using an annuity variant based on the PWLB rare prevailing in 2014/15 and that the annuity method takes into account of the time value of money. However, it is not clear that the financial impact of this change to an annuity based calculation was quantified and explained to members at the time. As a result of our discussions, the Council has, within its 2022/23 MRP policy, enhanced its reporting to members providing an analysis on the profile of the MRP Charges on Supported Borrowings The graph on page 19 shows that the MRP charge related to capital expenditure financed from Government-supported borrowing (£78m) and transferred debt (£15.3m) will steadily increase in the future under the annuity approach, giving rise to increased pressures on the Council's revenue budget in later years. The Council's MRP charge on supported borrowing and transferred debt based on a straight line basis would have been £2.07m per annum. The impact of the change to an annuity method is a reduced MRP charge for 2020/21 of £0.863m, progressively rising to £4.21m by 2063/64. Capital receipts are sums received by the Council in respect of a disposal of an interest in a capital asset. The uses to which capital receipts can be put are defined in regulation and these include financing capital expenditure and repaying the principal of an amount borrowed. As capital receipts are not a revenue resource, they cannot be applied 'in lieu of MRP'. The Council's application of capital receipts has served to reduce the impact of unfinanced capital expenditure on the Council's CFR. Over the period from 31/3/17 to 31/3/21 the Council's CFR has increased from £297.5m to £300.7m.	Both the Council's previous and revised MRP policies spread MRP charges over the period to 2063/64; under the new approach the profile of these charges has changed, with higher charges in later years in cash terms. We recommend the Council reviews its MRP policy to assure itself it results in an MRP charge that it considers to be prudent.

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Audit Comments continued	Assessment
	As noted above, the revised MRP policy affects the amount of MRP charged in connection with capital expenditure incurred several years ago. Prior to the introduction of the CIPFA Prudential Framework, MRP was calculated with reference to formulae provided by government, now described as 'Option 1' and 'Option 2' in the current statutory guidance. Under the historic approach to calculating MRP, capital financing records did not need to capture the period over which capital expenditure was expected to provide benefits. The Council has therefore been unable to provide us with a breakdown of the capital expenditure relating to the Government-supported borrowing of £78m, which we understand predates 2008/09. As a result, we have been unable to confirm whether charging MRP on this unfinanced capital expenditure over a 44 year period is commensurate with the period over which the underlying capital expenditure will provide benefits to the Council (and we note the total period over which MRP will have been charged will be in the region of 60 years).	We have been unable to conclude on the reasonableness of the period of time over which MRP is being charged on historic unfinanced capital expenditure. We recommend the Council revisits this area to satisfy itself that a prudent MRP charge is being made.
	A further key component of the annuity charge basis of calculating MRP is the choice of and application of an annuity rate. The Council applied the 2015 PWLB Annuity New Loan Rate (3.75%) for a new 44 year loan within its revised 2020/21 MRP calculations. It is unclear to us why the Council chose to use the 2015 rate in 2021. Had the Council applied the prevailing PWLB 2021 rate (2.32%) at the time the policy change was made the effect would have been a £0.4m higher MRP charge in 2020/21, with MRP rising at a slower rate in later years than if the 2015 PWLB rate had been applied. The overall effect of the change to an annuity basis is that the Council's total MRP charge for 2020/21 was £ 5.688m, a reduction of £0.8m compared to the previous year when the straight line basis was adopted. A recent Grant Thornton benchmarking exercise comparing MRP charged in 2020/21 as a percentage of the Capital Financing Requirement (CFR) at the end of 31 March 2021. This exercise included data from 62 authorities across the country. The Council's 2020/21 MRP charge of £5.688m was 1.91% of its closing CFR, below the median of 2.15% and simple average of 2.68% noted across our sample. Given the issues highlighted with regards to MRP, it is important that the Council is assured that its MRP charge is prudent and that it has been prepared in line with statutory guidance. We have included a recommendation on page 32 of this report.	It is unclear why the Council has applied a 2015 annuity rate in connection with an MRP policy change made in 2020/21 and we recommend the Council revisits this assumption within its MRP calculations for future years.

2. Financial Statements - key judgements and estimates



Note: the above chart reflects actual forecast MRP charges, unadjusted for the time value of money. The chart does not include debt service charges (interest).

2. Financial Statements - Internal Control

Assessment	Issue and risk	Recommendations
●	Our work on journals identified an issue where a member of the accountancy staff was able to authorise their own journals. As soon as this was identified by the Council prompt action was taken to reverse the journal and for it to be re-approved. Restricted access rights were immediately put in place and checks performed to ensure there were no other cases. Our testing confirmed that for the journal in question it was appropriate and not unusual.	It would be good practice to have posting and authorisation of journals by separate members of staff. **Management response** It is our usual practice to have journals approved by a member of staff who is not the inputter. On this occasion the authorisation was accidental and highlighted an anomaly with the individual's user profile, which was immediately rectified. The access and approval rights within the general ledger are currently being reviewed to ensure consistency for each category of user profile.

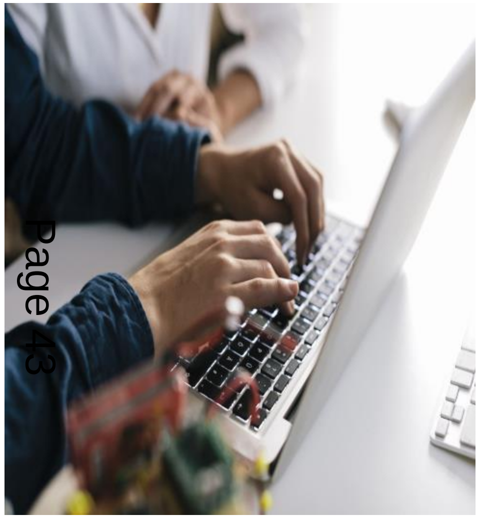
Assessment
- ● Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the bank and investment bodies as well as long term debtors. This permission has now been granted and requests sent. There were delays in obtaining the necessary confirmations from some schools but these have now been obtained. All other relevant confirmations have been received.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements

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Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and the Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit; • if we have applied any of our statutory powers or duties; and • where we are not satisfied in respect of arrangements to secure value for money and have reported significant weakness/es. We have nothing to report on these matters.

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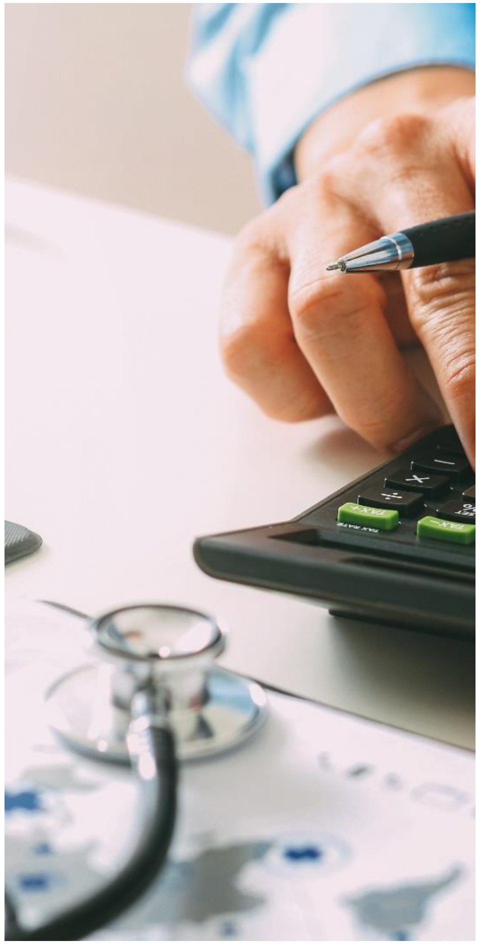

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that detailed work is not required as the Council does not exceed the £2bn threshold.
Certification of the closure of the audit	We intend to certify the closure of the 2020/21 audit in our audit opinion.

3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

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

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have completed our VFM work, and our detailed commentary is set out in a separate Auditor's Annual Report. We are satisfied that the Council have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources. Overall, we have not identified any significant weaknesses or related key recommendations. We have identified a small number of improvement recommendations, which management has accepted and will implement. A summary of the three key themes is shown below:

Financial sustainability

The Council is operating in an increasingly uncertain financial environment. For the second successive year, the Comprehensive Spending Review was a single year spending review. Blackburn with Darwen, as with all local authorities, will need to continue to plan with little certainty over funding in the medium term.

Despite this uncertainty, and the challenges posed by COVID-19, the Council has maintained a good financial position. An underspend position of £10.628m was achieved in 2020/21 primarily as a result of the Council receiving Covid funding.

Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Council. We have identified a small number of improvement recommendations relating to the review of the Medium Term Financial Strategy (MTFS), level of reserves, reporting of mandated and discretionary expenditure and the Council's Minimum Revenue Provision (MRP) policy.

Governance

Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the Council and the changes instigated as a response to the pandemic.

Our work on both business as usual governance and adapted structures has not identified any significant weaknesses in arrangements. However, we have identified one improvement recommendation relating to the need to update Council policies that are several years old.

Improving economy, efficiency and effectiveness

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in is use of resources. Our work has not identified any significant weaknesses in arrangements or key recommendations in relation to delivering economy efficiency and effectiveness.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

5. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim (2020/21)	11,700	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £11,700 in comparison to the total fee for the audit of £163,311 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim (2021/22)	15,400	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £15,400 in comparison to the total fee for the audit of £136,186 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Teachers Pension Return (2020/21)	5,985	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,985 in comparison to the total fee for the audit of £163,311 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Teachers Pension Return (2021/22)	7,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,985 in comparison to the total fee for the audit of £136,186 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Appendices

A. Action plan – Audit of Financial Statements

We have identified seven recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	Our audit of the Council's Property, Plant and Equipment assets highlighted a number of issues related to its in year revalued assets. The key issues being: • The valuer's report should state the overall value of assets revalued in the year. • Latest BCIS rates at the date of valuation should be used rather then using historical rates and uplifting for inflation. • Unusual rounding adjustments should not be made on future valuations. • Assumptions have been made regarding leased assets at a peppercorn rate which were incorrect, the future use of these assets should be confirmed at year end to arrive at correct valuation approach. • Where asset specific valuer judgements are made, these should be better documented in the valuation calculations with a clear audit trail supporting the valuation.	Ensure that there is a clear audit trail to support judgements used as part of the process to revalue assets. **Management response** All the identified issues have been raised as part of management's ongoing dialogue with the Council's internal property valuation team. Terms of engagement have been documented and agreed with the valuers.
Medium	Our work on journals identified an issue where a member of the accountancy staff was able to authorise their own journals. As soon as this was identified by the Council prompt action was taken to reverse the journal and for it to be re-approved. Restricted access rights were immediately put in place and checks performed to ensure there were no other cases. Our testing confirmed that for the journal in question it was appropriate and not unusual.	It is good practice to have posting and authorisation of journals by separate members of staff. **Management response** It is our usual practice to have journals approved by a member of staff who is not the inputter. On this occasion the authorisation was accidental and highlighted an anomaly with the individual's user profile, which was immediately rectified. The access and approval rights within the general ledger are currently being reviewed to ensure consistency for each category of user profile.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements (continued)

We have identified seven recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	Our review of the MRP charge for 2020/21 highlighted that the Council had changed the basis of its calculation for 2020/21 and for forthcoming years. Under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 councils are required to make a prudent provision each year for financing their capital investment.	The Council should satisfy itself that its MRP policy results in a prudent MRP charge, in particular that the calculation of MRP appropriately reflects the nature of and period of expected benefits of capital expenditure and appropriate annuity rates are applied. **Management response** The Council have undertaken a review of its MRP Policy with the outcome of this review reported to Councillors for consideration and approval.
Medium	As part of our work reviewing the Council's cash and cash equivalent balance we seek confirmation from Lloyds Banks of the balances. Difficulties were encountered in obtained confirmations for a number of schools as the bank did not recognise the signatures contained on the school mandates granting us access to this information. Our review of bank reconciliations for a sample of the Council's schools identified some historic balances which had been brought forward which the Council has agreed to write off. Historic balances should not be routinely carried forward but investigated and considered for possible write off.	There is a need to ensure schools update Lloyds Bank when signatories change at the schools. The Council should review the school bank reconciliations and where historic balances are identified these should be considered for write off. **Management response** Agreed, action taken and ongoing on both points.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements (continued)

We have identified seven recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	There is a lack of detailed information contained within the Council's fixed asset register in respect of infrastructure assets.	Introduce a more granular level of infrastructure information in the fixed asset register, which will assist the Council in the future when there is an expectation of the need to have more information on the various components which make up infrastructure assets. **Management response** Asset groupings and their associated lives have been reviewed in conjunction with the Council's Highways team and updated in the fixed asset register. Work is ongoing to assess the additional information likely to be required in order to meet any future accounting requirements in relation to infrastructure assets.
Low	The Council's accounting policy is to revalue its property plant and equipment assets over a 5 year cycle. We identified that Turton Tower (£416,000) has not been valued within this timeframe. The Council plan to have the asset valued in 2021/22.	Ensure that the Council's accounting policy is fully adopted with all assets revalued within the agreed 5 year timescale. **Management response** Turton Tower was revalued in 2021/22.
Low	The Council has chosen to make a prior period adjustment of £0.073m between Heritage Assets and Property, Plant and Equipment. The Council has chosen to correct an immaterial prior period error by restating the previously reported results rather than by correcting it in the current period, as this is not required and is unnecessary under IAS 8.	Prior period adjustment should only be undertaken to correct material prior period errors in line with IAS 8. **Management response** Management agree that they would not normally make a prior period adjustment for such an immaterial amount. However, in order to comply with the revised accounting policy for Heritage Assets and record those assets at their current insurance value, it was necessary to reclassify one Heritage Asset that was not covered by the insurance valuation.

Controls

- High – Significant effect on financial statements

B. Follow up of prior year recommendations

We identified the following issues in the audit of Blackburn with Darwen Borough Council's 2019/20 financial statements, which resulted in two recommendations being reported in our 2019/20 Audit Findings report. We have followed up on the implementation of our recommendations.

Issue and risk previously communicated	Update on actions taken to address the issue
Heritage Assets Testing last year identified that the register of heritage assets had not been updated to reflect some recent valuations and that there was also an absence of an audit trail to support some the valuations. We recommended that there was a need to ensure that when Heritage assets are revalued all the relevant supporting information is passed to the Finance Section so that their records can be updated in a timely manner. Where there has been significant movement in asset values the Council should consider obtaining further valuations for similar types of heritage assets	The Council's finance team has worked more closely with the Arts and Heritage Manager to ensure they receive all up to date revaluations of Heritage Assets. Some difficulties remain regarding obtaining supporting evidence for valuations done several years ago. As a result of this and challenge from us during the audit the Council has for 2020/21 changed its accounting policy for Heritage assets and has based its valuation on its insurance value. This has resulted in an audit adjustment as highlighted on page 36.
Fixed Asset Register Our audit work identified that the revaluation dates included in the Council's fixed asset register were not accurate and as a result Note 13 had to be amended. We recommended that the Council should undertake an exercise to ensure that the fixed asset register is accurate and up to date.	During last year's audit it was recognised that the date of last valuation held within the asset register was updated each time an asset is "enhanced" as a result of capital expenditure, rather than capturing the date of the last formal valuation. As a result, Note 13 cannot be compiled using the fixed asset register data alone, therefore, supplementary records are now being maintained to assist with this disclosure.

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

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Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Accounting the Shopping Centre Mall Finance Lease The Council grants a lease to use the Shopping Centre Mall. Audit work identified that the lease had been incorrectly accounted for. The Council had recognised the value of the debtor and deferred capital receipt equal to the present value of the forecasted rental amounts to be received under the lease agreement. Upon detailed review the rental payments should be classified as contingent rentals as they are dependent on factors other than the passage of time, and as such should not be included in the calculation of the finance lease debtor as they do not make up minimum lease payments. The contingent rentals should be recognised in the Comprehensive Income and Expenditure Statement in the year they are received. In accordance with IAS 17 the minimum lease payments for the lease are nil, and as such the net investment and therefore the finance lease debtor are also nil. The Council has made prior period adjustments to amend the value of the finance lease debtor and corresponding deferred capital receipt to reflect this.	Finance & Governance net expenditure -1,447 Finance and investment income +1,445 (Same adjustment made as a prior period adjustment as at 31/3/20 and 1/4/19)	Long term debtor - 26,271 Unusable Reserves - 26,271 (26,273 treated as prior period adjustment as at 31/3/20) (26,275 treated as prior period adjustment as at 1/4/19)	nil

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Borrowing £8.226m of LOBO borrowings had been incorrectly classified as short term rather than long term as their maturity date is in excess of 12 months. There is an impact of this on the balance sheet and a disclosure impact on Note 26 Financial Instruments. There is also a prior period adjustment and third balance sheet required.	nil	Short term Borrowings – 8,226 Long term Borrowings +8,226 (8,233 treated as prior period adjustment as at 31/3/20) (13,240 treated as prior period adjustment as at 1/4/19)	nil
Heritage Assets The Council's valuation of its Heritage assets has been amended to reflect the insurance value of those assets. The existing balance sheet value was based on valuations done several years ago and the insurance valuation provides a more recent figure. There is also a prior period adjustment and third balance sheet required.	nil	Heritage Assets + 16,391 Unusable Reserves +16,391 (16,245 treated as prior period adjustment as at 1/4/20) (13,301 treated as prior period adjustment as at 1/4/19)	nil
PPE – Impact of revaluation error The Council had valued a number of assets which it leases to third parties and receives a peppercorn rent of £1, at a valuation of £1, which the Council agreed to revalue following audit challenge, leading to an increase in valuation of £3.630m	**nil**	Property Plant and Equipment+3,630 Cost of services +2,559 Usable Reserves +1,071	**nil**

C. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Grant Received in advance Unspent balances on grants had been accounted for as grants received in advance rather than creditors	nil	Grant received in advance – 7,067 Creditors + 7,067	Nil

C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of potential errors identified during the 2020/21 audit which have not resulted in adjustment within the final set of financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Extrapolated error from additions/REFCUS testing which identified one item relating to 2019/20 – actual error not over triviality at £1k.	Nil	PPE - (403)	Nil	Extrapolated error not material
Extrapolated judgement error from Land and Building revaluation testing – potential mis-statements totalling £0.971m identified from testing, which when extrapolated across the Council's revalued asset base, could potentially result in a mis-statement of £3.470m	Nil	PPE Land and Buildings +3,470	Nil	Extrapolated error not material
Additional depreciation charge for changes to estimated asset lives for infrastructure assets	Nil	Infrastructure Assets NBV – (2,118)	Nil	Not material
Overall impact	**nil**	**+949**	**Nil**	

Impact of prior year unadjusted misstatements

The one unadjusted misstatement raised in the 2019/20 Audit Findings Report in respect of Heritage Assets understated. This has been correctly amended this year.

C. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

A number of general presentation amendments have been made to the financial statement to enhance discloses. The table below provides details of key misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Note 30 Post Employment Benefits The Note did not reflect the latest information on the payments made and contribution rate in respect of the Teachers Pensions Scheme.	The note has been updated to reflect the correct payments made to the Teachers Pension Scheme of £7,925,928 and contribution rate of 23.68%.	✓
Note 7 Grant Income and Contributions credited to Cost of Services £3.835 m of grants had been incorrectly classified within the note as Covid related Grants rather than Other Government Grants.	The note has been correctly updated to reflect the correct classification of grant income.	✓
Note 7 Grant Income and Contributions credited to Cost of Services Fees and charges of £3.580m had been incorrectly disclosed within Note 7 as other contributions and contributions from other local authorities and other public sector. This also impacts on Note 2, which analyses income between fees and charges and grants and contributions. There is also a prior period adjustment of £3.176m.	In Note 7 other contributions and contributions from other local authorities and other public sector and other contributions have been reduced by £2.521m, £0.916m and £0.143m respectively (£1.907m, £1.197m and £0.072m respectively in 2019/20). In Note 2, Fees, charges and other service income has been increased by £3.580m (£3.176m in 2019/20) and Government grants and contributions has been reduced by £3.580m (£3.176m in 2019/20).	✓

C. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Note 26 Financial Instruments There was an arithmetical error in the fair value disclosure table and in the Council's investment portfolio disclosure table within Note 26. The total for the difference in PFI liabilities and the total for short term investments was incorrect, prior year figures have been included in the total.	The note has been correctly updated to reflect the correct fair value balance for PFI liabilities and the correct total for short term investments.	✓
Note 13 Property, Plant and Equipment The table highlighting the value of assets revalued each year by the valuer was materially incorrect, there was an omission of £25.165m from the total of assets revalued during the year and did not reconcile to the fixed asset register and supplementary information provided by the valuer.	The table has been updated to accurately reflect the value of assets valued each year.	✓
Note 30 Post Employment Benefits As a result of obtaining a revised actuary report in February 2022 reflecting the Council's lump sum early prepayment, the fair value of plan assets has increased by £26.509m, the value of the prepayment for 2021/22 and 2022/23. The table in the note disclosing pensions assets and liabilities recognised in the Balance Sheet requires updating. There is also a change in the Reconciliation of Fair Value of the Scheme (plan) Assets table in the note for the same amount to increase the contributions from employer figure.	The fair value of plan assets to be updated to reflect the fair value of £780.591m and contributions from employer updated to show the total value of the early lump sum payment of £38.45m.	✓

C. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Note 31 Cash Flow Statement The table disclosing investing activities incorrectly included as part of purchase of short and long term investments cash and cash equivalents.	The note and the cash flow statement has been amended accordingly.	✓

D. Fees

Audit fees	Proposed fee	Final fee
Scale fee	£79,186	£79,186
Add recurring variations		
Raising the bar/regulatory factors/new standards and developments	£4,000	£3,125
Enhanced audit procedures for Property, Plant and Equipment	£3,000	£3,750
Enhanced audit procedures for Pensions	£3,000	£3,750
Recurring scale fee and variations	£89,186	£89,811
New issues for 2020/21		
Additional work on Value for Money (VfM) under new NAO Code	£26,000	£26,000
Increased audit requirements of revised ISAs	£17,000	£13,000
Total audit fees 2020/21 (excluding VAT)	£132,186	£128,811
Additional Fee:		
Dealing with members of the public correspondence relating to capital expenditure, adult social care, land transactions and the funding of Barbara Castle statue	nil	£5,000
Additional work required in auditing the Council's property, plant and equipment valuations comprising extensive challenge of the valuer due to poor supporting evidence and working papers, additional sample testing of £1 peppercorn rent assets, weekly meeting with the Director of Finance and other senior finance staff to discuss the findings	nil	£15,000

D. Fees

Audit fees	Proposed fee	Final fee
Additional audit work required associated with Heritage assets and accounting for LOBO's leading to material audit adjustments	nil	£4,000
Audit of infrastructure assets requiring additional work	nil	£6,250
Accounting the Shopping Centre Mall Finance Lease	nil	£6,500
Total audit fees	**£132,186**	**£165,561**

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services – Certification of Housing Benefit Subsidy Return (2020/21)	£11,700	£11,700
Audit Related Services – Certification of Teachers Pension Return (2020/21)	£5,985	£5,985
2020/21 Total non-audit fees (excluding VAT)	**£17,865**	**£17,865**
Audit Related Services – Certification of Housing Benefit Subsidy Return (2021/22)	£15,400	£15,400
Audit Related Services – Certification of Teachers Pension Return (2021/22)	£7,500	£7,500
2021/22 Total non-audit fees (excluding VAT)	**£22,900**	**£22,900**

E. Audit opinion DRAFT

Our audit opinion is included below.

We anticipate we will provide the Council with an unmodified audit report

Independent auditor's report to the members of Blackburn with Darwen Borough Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Blackburn with Darwen Borough Council (the 'Authority') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statemen, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Financial Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

E. Audit opinion DRAFT

In our evaluation of the Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Financial Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Financial Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

E. Audit opinion DRAFT

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Financial Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page 22, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above,

E. Audit opinion DRAFT

to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, the Local Government Act 1972, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.
- We enquired of senior officers and the Audit and Governance Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journals, management estimates and transactions outside the course of business.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Chief Financial Officer has in place to prevent and detect fraud;
  - journal entry testing, with a focus on manual journals posted during the year with high risk characteristics;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and defined benefit pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and

E. Audit opinion DRAFT

- regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings and defined benefit pensions liability valuations.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in respect of the above matter.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing

E. Audit opinion DRAFT

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of Blackburn with Darwen Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

John Farrar, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Liverpool

Date

Grant Thornton

grantthornton.co.uk

REPORT TO :	Audit and Governance Committee
LEAD OFFICER:	Chief Executive
DATE:	11th July 2023

WARD/S AFFECTED: All

Approval of the Statement of Accounts 2020/21

1. PURPOSE

The report outlines the issues arising from the external audit of the Council's 2020/21 Statement of Accounts, and requests that the Audit and Governance Committee agree arrangements for the approval of the audited accounts prior to their publication, as required by the Accounts and Audit Regulations 2015.

2. RECOMMENDATIONS

Audit and Governance Committee is recommended to

1. Note the outcome of the audit of the Council's financial statements as presented by Grant Thornton in their Audit Findings Report for 2020/21 (previous agenda item).
2. Review the updated Statement of Accounts for 2020/21 as presented with this agenda and, subject to any minor amendments arising from the outstanding external audit work, give approval to the Statement of Accounts as presented at Appendix 3
3. Subject to (2) above, agree that the Chair may sign the Statement of Accounts in consultation with the Chief Executive (as acting s151 Officer), on conclusion of the audit.
4. Note the draft letter of representation to the external auditors, which is provided at Appendix 2, with the final version to be signed by the Chief Executive and the Chair of the Audit and Governance Committee at the date of issue of the audit opinion.

3. BACKGROUND

The annual statement of accounts is a statutory summary of the Council's financial affairs for the financial year and is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. It aims to give clear information on the Council's overall finances and to demonstrate its stewardship of public money for the year.

Draft accounts must be produced and authorised for issue by the Council's Chief Finance / S151 Offer by 31 May each year, however, due to the impact of the Covid-19 Pandemic, revised regulations were issued to extend the statutory audit deadlines for 2020/21 for all local authorities.

The impact for the Council was as follows:

- the publication date for final, audited, accounts moved from 31 July to 30 September 2021.
- the requirement for the public inspection period to include the first 10 working days of June was removed. Instead the public inspection period had to commence on or before the first working day of August 2021.
- this meant that draft accounts had to be approved by 31 July 2021 at the latest.

The 2020/21 draft Statement of Accounts were certified by the Chief Executive (as acting s151 Officer) on 31 July 2021, and subsequently published on the Council's website. The audit of those draft accounts commenced in September 2021 and various amendments have been made to the accounts in line with audit findings to date.

Following external audit review, the accounts should be approved by those charged with Governance, having considered the issues raised by the auditors in their Audit Findings Report.

As noted above, the Accounts and Audit (Amendment) Regulations 2021 require that the audited accounts and opinion are published by 30 September 2021. The external audit of the accounts was not concluded in time to meet this deadline. The delay initially arose due to a combination of factors, including:

- the impact of Covid-19 on both the complexity of the audit and pace at which it could be completed;
- the increased assurance work that auditors are required to carry out nationally with respect to pensions and asset valuations.

This committee first reviewed an updated Statement of Accounts for 2020/21 in January 2022. Since then, further amendments have been made to the accounts, due largely to:

- concerns raised by the National Audit Office that local authorities are not properly applying component accounting requirements when accounting for infrastructure assets. During the financial year 2022/23, CIPFA established a task and finish group to address this issue, and at the end of November 2022, CIPFA issued its *Update to the Code and Specifications for Future Codes for Infrastructure Assets*, followed by an amendment to *The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003* ("the 2003 Regulations"). The amendments to the Code include a temporary relief so that local authorities are not required to report the gross book value and accumulated depreciation for infrastructure assets, The required changes have been included within the 2020/21 accounts.

- external audit work in relation to the 2021/22 draft Statement of Accounts raised a number of issues, which have been required to be amended in the 2020/21 accounts. Issues have included the incorrect classification of Grant received in advance in the Balance Sheet, and the Mall Shopping Centre finance lease had been incorrectly accounted for.

In order to comply with the Accounts and Audit Regulations 2015, a notice has been published on the Council's website stating that the statement of accounts cannot currently be published, and confirming that the accounts will be published as soon as reasonably practicable after the receipt of a report from the auditor, which contains the auditor's final findings from their audit, and the issue of their audit opinion.

4. KEY COMPONENTS OF THE 2020/21 STATEMENT OF ACCOUNTS

Local authority accounts are complex due to the need to produce financial statements that address both an accounting framework and a legislative framework. This “dual accounting” approach requires some items to be accounted for in ways that do not reflect how the Council manages its budget.

The key components of the accounts are detailed in Appendix 1

As a result of the external audit work undertaken, a number of adjustments have been made to the draft accounts. Some of these adjustments necessitated the preparation of a third Balance Sheet, which shows the impact on balances as at 1 April 2019 (i.e. the opening position for the comparative year 2019/20). Additional details have been provided directly after the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the Balance Sheet to explain where figures presented in the 2020/21 Statement of Accounts differ from those reported in previous years’ accounts.

During the course of the audit, adjustments were required to reflect:

- a reclassification of the Council’s LOBO borrowings, resulting in a movement from short-term to long-term liabilities;
- a change in the accounting policy for the valuation of Heritage assets;
- various amendments to property valuations where Council assets had been leased to third parties for a peppercorn rent of £1;
- a change in the value of the Finance Lease debtor for the shopping centre lease; and
- a change in the balance sheet classification of unspent grants from grants received in advance to creditors

5. KEY ISSUES

Audit Findings Report

The Audit Findings Report, issued by the Council’s external auditor, Grant Thornton is provided elsewhere on the Agenda for this meeting and highlights the key findings arising to date from the final accounts audit in order that those charged with governance (i.e. the Audit and Governance Committee) may consider the issues prior to their approval of the Statement of Accounts.

The audit team have identified a number of audit adjustments to the financial statements published in July 2021, however, there is no overall impact on the reported outturn position of the Council. A number of adjustments have been made in order to correct misstatements and misclassifications and to enhance the Narrative Report and disclosure notes. Further details of these amendments are included within the Audit Findings Report.

Letter of Representation

Draft wording for the letter of representation, which the Council is proposing to issue to Grant Thornton, following approval by Audit and Governance Committee, is included at Appendix 2.

6. POLICY IMPLICATIONS

Compliance with accounting standards is fundamental to the Council’s organisational delivery priority of delivering a “fit for purpose” organisation.

7. FINANCIAL IMPLICATIONS

There are no direct financial implications arising as a result of this report.

8. LEGAL IMPLICATIONS

The Accounts and Audit (England) Regulations 2015 and The Accounts and Audit (Amendment) Regulations 2021 apply for accounts and reports relating to the financial year 2020/21, and completion in accordance with International Financial Reporting Standards is required in order to comply with both the statutory framework established by the Accounts and Audit Regulations, and proper accounting practices required by Section 21(2) of the Local Government Act 2003.

9. RESOURCE IMPLICATIONS

There are no direct resource implications arising as a result of this report.

10. EQUALITY & HEALTH IMPLICATIONS

There are no equality or health implications arising as a result of this report.

VERSION:	**0.01**
CONTACT OFFICER:	Julie Jewson, Senior Finance Manager
DATE:	7th July 2023
BACKGROUND PAPER:	Statement of Accounts 2020/21

Key components of the 2020/21 Statement of Accounts

Narrative Report

This introduction to the accounts provides information about Blackburn with Darwen, including its demographic profile, the Council's political and management structure, its main objectives and strategies and the principal risks that it faces. It provides a summary of the financial position as at 31st March 2021 and how the Council has used its resources to achieve its desired outcomes in line with its objectives and strategies. It also includes a commentary on the key issues affecting the Council over the financial year and the impact on its accounts, together with a brief summary of the content of the accounts.

The Core Financial Statements

The accounts consist of the following core financial statements supported by explanatory notes and the accounting policies applied by the Council in preparing and presenting those financial statements

Comprehensive Income and Expenditure Statement (page 29) - this statement shows the accounting cost in the year of providing services in accordance with the accounting framework provided by international reporting standards, rather than the legislative framework. The Council raises local taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement and the Expenditure and Funding Analysis (Note 1 – pages 36-38).

Analysis of income and expenditure by service in the Comprehensive Income and Expenditure Statement is presented to reflect how the Council is structured and how it monitors and manages its financial performance i.e. by reference to portfolio controllable budgets.

Movement in Reserves Statement (page 31) - this statement shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" and "unusable reserves". Also, how those movements are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net (increase) / decrease line shows the true statutory General Fund Balance movements in the year following those adjustments.

The financial performance of the Council is monitored during the year with budget variations being reported as soon as they are identified and the predicted level of reserves adjusted accordingly. The accounting position for the year, as reported in the Comprehensive Income and Expenditure Statement, is a surplus on the provision of services of £17.068 million. After making the required adjustments to reflect the legislative framework, the Movement in Reserve Statement shows an increase in General Fund reserves of £33.312 million in 2020/21, compared to a budgeted contribution to reserves of £0.130 million when the annual budget was approved in February 2020. This final revenue outturn position was reported to the Executive Board on 12th August 2021.

As detailed within the disclosure notes to the accounts, this significant increase in the level of reserves is partially due to the receipt of specific Covid-related funding received from central government which is to be utilised over the 2 year period through to March 2022. In addition, reserves were increased by an overall underspend across Council services, due in part to: reduced demand for some services during the year, service closures with staff redeployed to support Covid-response efforts, accounting for funding received in response to the pandemic, offset by significant loss of income from fees and charges.

Further details of the accounting adjustments made in accordance with proper accounting practice are in Note 3 (pages 40-41).

Balance Sheet (page 33) - this shows the value as at 31st March of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council, which are reported in two categories:

- Usable reserves - those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use(for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- Unusable reserves - these are not able to be used to provide services, and include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line Adjustments between accounting basis and funding basis under regulations.

The total amount of General Fund revenue reserves held by the Council at 31st March 2021 was £69.116 million.

Usable Reserves	**31st March 2021 £000**
Earmarked Reserves:	
- set aside for discretionary purposes	47,665
- held in respect of schools	12,660
- held in respect of joint arrangements	418
	60,743
Unallocated Reserves	8,373
General Fund Reserves	**69,116**
Capital Receipts Reserve	0
Capital Grants Unapplied	12,690
Total Usable Reserves	**81,806**

Details of the movements in reserves are shown in Note 29 to the financial statements (pages 74-79).

The Other Long Term Liabilities line of the Balance Sheet includes the long-term element of the liability in relation to the PFI contract for BSF Schools (£59.744 million) and the Local Government Pension Scheme liability of £325.184 million. The pension scheme liability represents the underlying commitments that the Council has in the long term to pay retirement benefits, however, the arrangements for funding means that the financial position of the Council remains healthy with the deficit being made good by increased contributions over the remaining work life of employees as determined by the scheme actuary.

During the course of the audit, adjustments were required to reflect:

- a reclassification of the Council's borrowing, resulting in a movement from short-term to long-term liabilities;
- a change in the accounting policy for the valuation of Heritage assets; and
- a change in the value of the Finance Lease debtor for the shopping centre lease.

These adjustments necessitated the preparation of a third Balance Sheet, which shows the impact on balances as at 1 April 2019 (i.e. the opening position for the comparative year 2019/20).

Cash Flow Statement (page 35) - this statement shows the changes in cash and cash equivalents of the Council during the reporting period. It analyses cash flows into those generated by operating activities, investing activities and financing activities. The detail of each category is contained within Note 31 (pages 86-88).

Notes to the Financial Statements (pages 36-91) – the order of the disclosure notes aims to provide a narrative that flows logically, with the initial notes providing information to support the Comprehensive Income and Expenditure Statement and an explanation of how that differs from the portfolio budget monitoring position presented throughout the financial year. Notes 13-31 provide further analysis of the amounts included in the Balance Sheet and Cash Flow Statement, and additional disclosures required by the accounting Code follow at the end of the section. An index of the notes is included at page 2.

Collection Fund (pages 92-94)

This is a supplementary statement which reflects the statutory obligation for billing authorities to maintain a separate fund for transactions in relation to the collection of council tax and non-domestic rates, and the distribution of those sums to the Council and other parties (i.e. central government, the Police and Crime Commissioner for Lancashire and Lancashire Combined Fire Authority). The Collection Fund Income and Expenditure Statement reports a surplus for the year in respect of council tax and a deficit for the year in respect of non-domestic rates. The Fund balance carried forward in respect of both council tax and non-domestic rates will be taken into account when setting future years' budgets.

Accounting Policies (pages 95-115)

In addition to a summary of the main accounting policies applied by the Council in preparing and presenting the statement of accounts, this section includes details of:

- accounting standards issued but not yet adopted
- critical judgements made in applying the accounting policies
- areas where a degree of uncertainty exists due to the use of estimated figures.

Draft letter of representation.

Blackburn with Darwen Borough Council

Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Blackburn with Darwen Borough Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land and buildings and the valuation of the pension net liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent,

b. none of the assets of the Council has been assigned, pledged or mortgaged,

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. The prior period adjustments disclosed following each of the core financial statements and in various notes to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

Information Provided

xvi. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

xvii. We have communicated to you all deficiencies in internal control of which management is aware.

xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

The recommendation to note the contents of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 11th July 2022.

The final version of this letter must be signed by both the Chair of the Audit and Governance Committee and the Chief Executive (acting s151 officer) at the date of issue of the audit opinion.

Blackburn with Darwen Council
Statement of Accounts
2020/21
(subject to audit)

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CONTENTS

INDEX OF NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION BY THE DIRECTOR OF FINANCE – Dean Langton

I am very pleased to introduce you to Blackburn with Darwen's Statement of Accounts for the financial year 2020/2021. It is intended that these accounts provide a useful source of financial information for the community, stakeholders, Council Members and other interested parties.

This gives me the opportunity to highlight just some of the many excellent achievements of the Council over the course of the last year, which have been delivered against a challenging backdrop of the Covid-19 pandemic. This financial year saw Blackburn with Darwen become one of the places most affected by Covid-19 with one of the highest cumulative case rates in the country, and despite ongoing financial challenges faced, including further funding reductions and the continued rising demand for services particularly in Children's Services, the Council, its Partners and the wider community have proven resilient throughout. Looking ahead, as a Council we remain committed to ensuring we recover from the impacts of the pandemic and continue to develop, prosper and grow and that we make the borough a better place to live, work and visit.

The Narrative Report provides information about Blackburn with Darwen Council, its main objectives and strategies and the principal risks that it faces, as well as providing a summary of the financial position as at 31st March 2021 and how the Council has used its resources to achieve its desired outcomes in line with those objectives and strategies.

I do hope that you find this Statement of Accounts helpful and informative. Whilst the presentation of the Statement of Accounts is largely determined by statute, should you have any suggestions about how we can improve this document, please let us know.

THE BOROUGH OF BLACKBURN WITH DARWEN

Introduction

Blackburn with Darwen is a semi-rural unitary borough located in the east of Lancashire. It has compact urban areas predominately but not exclusively located around the towns of Blackburn and Darwen. The area is surrounded by countryside and features a number of small rural villages and hamlets. Blackburn with Darwen borders Bury and Bolton in the south, Chorley in the west, Hyndburn and Rossendale in the east and Ribble Valley in the north. The borough is well located with good transport and infrastructure links to the rest of Lancashire, Greater Manchester and beyond.

With over 4,900 businesses, the borough contributes about 9% of the Lancashire business base and is home to the largest number of businesses of the Pennine Lancashire authorities. A range of sectors operate in the borough, including the large public sector local government and health sector employers, Blackburn College and a number of large private sector businesses, which include:

- Crown Paints
- Herbert Parkinson, part of the John Lewis Partnership
- Graham and Brown wallcoverings
- Euro Garages

Over two thirds of jobs in the borough are found in the main sectors of; health, manufacturing, education, retail, business administration and support services and professional, scientific and technical services.

Despite a national decline the borough still retains a higher than average level of employment in the manufacturing sector. Although the majority of employee jobs in the borough are found in the private sector, employment within the public sector is above regional and national averages. The borough has an entrepreneurial culture, with a business start-up rate higher than Lancashire as a whole and a greater proportion of higher turnover business than the Lancashire average.

Demographic profile

In 2018 the population was 148,900, making it the largest borough in Lancashire. The majority of the borough's residents (in the region of 142,000 people) live in the towns of Blackburn and Darwen with the remaining residents living in the rural villages and hamlets (Hoddlesden, Edgworth, Belmont, Chapel Town and Tockholes) that surround the two major urban centres.

The borough as a whole has a relatively young age profile. It has a higher than average proportion of young people (0-19) compared to the national figure and conversely, a smaller proportion of older people (65 and over). As a multicultural borough, the area is home to many people with diverse ethnicities and identities.

The profile of the population is an important determinant of the demand for services provided by the Council, such as the need for adults and children's social care.

Political structure

Blackburn with Darwen Council is split into 17 wards each represented by 3 councillors (51 councillors in total), with one third standing for election three years in four. There were no elections or by-elections held during 2020 due to the coronavirus pandemic and the actual number of councillors dropped to 49 during that period. The political make-up of the Council during 2020/21 was as follows:

Party	Number of councillors
Labour	35
Conservative	12
Liberal Democrat	2
Total	49

Local councillors are elected by the community to decide how the council should carry out its various activities. All councillors meet together as the Council, where they decide the Council's overall policies and set the budget each year.

The Council operates a 'strong leader' model of governance with the Leader appointed by the Council for a four year term of office. The Executive is the part of the Council which is responsible for most day to day, or operational, decisions. The Leader of the Council appoints members to the Executive Board and determines the allocation of portfolios to Executive Members. The Leader also determines the allocation of any seats on the Executive Board to the opposition parties.

The Executive Board has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must usually be referred to the Council as a whole, except in cases of emergency.

When major decisions are to be discussed or made, these are published in the Executive's forward plan in so far as they can be anticipated. Meetings are open to the public except in instances where confidential or exempt information (as defined in the Local Government Act 1972) is being discussed.

Departmental and Chief Officer Structure

Supporting the work of the Councillors is the Senior Leadership Team which is led by the Chief Executive and statutory Head of Paid Service, Denise Park. During 2020/21, the Council's organisational and departmental structure was reviewed by the Chief Executive and the subsequent recommendations were approved by Policy Council in December 2020. The new Departmental and Chief Officer Structure realigns responsibilities within a reduced number of larger departments bringing complementary services together, led by refocused roles for Strategic Directors supported by Directors and/or Deputy Directors, supporting a more resilient senior team.

The make-up and responsibilities of the Senior Leadership Team is as follows:

CHIEF EXECUTIVE

(Head of paid service)

<table>
<tr><th colspan="2">STRATEGIC DIRECTOR ADULTS & HEALTH (DASS)</th><th colspan="2">STRATEGIC DIRECTOR CHILDREN & EDUCATION (DCS)</th><th colspan="2">STRATEGIC DIRECTOR PLACE</th><th>STRATEGIC DIRECTOR RESOURCES</th><th></th></tr>
<tr><td>Director Public Health (DPH)</td><td></td><td></td><td></td><td>Director Place</td><td></td><td>Director Finance (s151)</td><td>Director HR, Governance & Engagement (Monitoring Officer)</td></tr>
<tr><td></td><td>Deputy Director Adult Social Care</td><td>Deputy Director Schools & Education</td><td>Deputy Director Children’s Social Care</td><td></td><td>Growth Programme Director</td><td></td><td></td></tr>
<tr><td colspan="2">• Adult Social Care
• Strategic Commissioning
• Public Health
• Wellbeing
• Prevention Services
• Health Interface
• Community Protection
• Housing Needs
Neighbourhoods & Learning
Social Integration & Inequalities</td><td colspan="2">• Children’s Social Care
• Child Protection & Safeguarding
• Permanence, Fostering & Adoption
• Education & SEND
• Schools
• Post-19
• Early Years
• Early Help
• Young People’s Services</td><td colspan="2">• Growth Programme
• Employment & Skills
• Planning & Building Control
• Environment
• Highways & Transport
• Public Protection
• Commercial Services
• Property Management
• Leisure
• Libraries & Culture
• Markets
• Town Centres
• Building Maintenance
• Economic Development</td><td>• Finance
• Audit & Risk
• Procurement & Contracts
• Digital & IT
• Information Governance
• Revenues & Benefits
• Customer Services
• Registrars
• Transformation & Change
• Business Operations
• Data & Performance</td><td>• HR & Payroll
• Health & Safety
• Workforce Development
• Legal, Governance & Democratic Services
• Elections
• Communications & Engagement
• Policy
• Resilience & Emergency Planning</td></tr>
</table>

Staffing

The Council is supported by administrative, professional, technical and operational employees whose role it is to advise the Council on all aspects of its functions and to put into effect decisions which are taken in order to provide services to the public.

The Council employs around 2,175 people in full time and part time roles with around another 1,991 people employed in schools.

Corporate Plan 2019-2023

The Corporate Plan 2019-2023 was agreed by elected members in March 2019 and sets out the Council’s eight priorities for the next four years. We believe that if it is delivered our Corporate Plan will enable all of our residents to achieve a good quality of life in a vibrant and thriving place, with strong community values and an inclusive society.

The plan is for everyone – councillors, staff, partners, residents, businesses – who can support the council in being the best it can possibly be. It has eight strategic priorities:

PEOPLE	PLACE	ECONOMY	COUNCIL
Supporting young people and raising aspirations	Connected communities	Strong economy to enable social mobility	Transparent and effective organisation
Safeguarding and supporting the most vulnerable people	Safe and clean environment	Supporting our town centres and businesses	
Reducing health inequalities and improving health outcomes			

The plan is informed by several key pieces of work and activity including Joint Strategic Needs Assessment (JSNA), a Local Government Association (LGA) Peer Review held in December 2018, a partnership summit, the 2018 residents' survey and independent economic analysis.

The plan reflects what the Council wants to achieve for residents and businesses and will help inform policy and budget decisions, as well as supporting bids for external funding. A new performance framework has been developed to measure how the council is performing against its eight priorities.

Priority 1. Supporting young people and raising aspirations

Our young people are the future of our Borough and we are committed to support them from birth and through their journey to becoming adults.

We will:

- work with parents and carers to enable them to access good quality early years education and learning so that our children are ready for a strong start at school.
- work with our schools, communities and partners to continue to nurture well rounded independent young people.
- work with all of the schools, colleges and partners to support young people in achieving their full potential.
- work with partners to ensure young people have access to clear careers advice and guidance and are equipped with the skills and qualities to access jobs.

Priority 2. Safeguarding and supporting the most vulnerable people

We have a duty to safeguard people of all ages to be safe from harm and live a life free from abuse, neglect and unfair treatment, and support those who choose to live independently.

We will:

- provide support locally and at the earliest opportunity to ensure people are safeguarded and protected.
- work with partners to guarantee that people in need of support and protection continue to receive it from the right agencies at the right time for as long as they need it.
- support our safeguarding partnerships arrangements to ensure that local agencies co-ordinate their work to safeguard vulnerable people of all ages and are effective.

Priority 3. Reducing health inequalities and improving health outcomes

We are committed to increasing life chances for our residents by improving health and wellbeing; creating healthy places and giving all people the opportunity to Start Well, Live Well and Age Well.

We will:

- work with people earlier to prevent ill health and poor wellbeing, promoting self-care and supporting independence to enable people to live well at home.

- work with our partners to make sure that our residents have access to good quality sporting and leisure facilities across the Borough and can access wellbeing activity in their local neighbourhoods.
- work with the NHS, third sector, public sector partners and business to improve people's mental health and wellbeing through advice, support and activities.
- consider the impact on health and wellbeing in all of our services.
- work with local NHS services to reform, integrate and improve the health and social care system and to extend the investment in prevention for all of our residents.

Priority 4. Connected communities

Communities bring a sense of belonging for many people, breaking through social isolation and building personal resilience. We remain committed to strengthening resilient communities and groups.

We will:

- ensure that residents have access to a broad range of good quality festivals and events across the Borough to bring neighbourhoods and communities together.
- make volunteering easier and work with partners and residents to direct volunteer support where it's needed the most.
- support communities and community groups to access funding and other resources.
- work with communities to become digitally enabled.
- recognise the achievements of our communities and the valuable contribution of residents.
- support activity to enable people from different backgrounds or beliefs to integrate.

Priority 5. Safe and clean environment

We want the Borough to be a safe and clean place to live and visit, promoting pride in the area and environment.

We will:

- work with our residents, schools and businesses to raise awareness of the positive environmental and financial impacts of recycling
- work with communities, environmental organisations and groups to help keep neighbourhoods clean and tidy.
- continue to invest in our roads and pavements to make sure they are safer.
- work with our citizens and businesses to promote behaviours, using enforcement action where necessary and in the best interest of public protection.

Priority 6. Strong, growing economy to enable social mobility

We are committed to making sure that everyone of working age is able to access jobs, career progression and make a positive contribution to the economy, irrespective of their social circumstances and background.

We will:

- work with our partners to improve productivity through skills, innovation, sector and trade programmes.
- develop and deliver a strategic pipeline of growth programmes attracting investment and generating new economic, housing and infrastructure growth opportunities.
- deliver sustained growth and higher value employment for all our residents as an enabler to social mobility.
- provide a broad and good quality house choice for all our residents, transforming old housing stock, building new homes and working with private and social landlords to improve the rental market.

• work with partners and investors to secure the Borough regionally and nationally as an investment priority.
Priority 7. Supporting our town centres and businesses
Thriving town centres and businesses are crucial to the success of the Borough and its residents. We are committed to creating the right environment and support to maximise growth and increase investment. We will: • work with partners to strengthen the economic and cultural offers of Blackburn and Darwen town centres. • promote and encourage local procurement to support local businesses. • work with Hive to establish a powerful business network to promote Blackburn with Darwen and support wider engagement with new investors to the Borough. • encourage entrepreneurship and new business growth drawing on our young, culturally rich and dynamic population.
Priority 8. Transparent and effective organisation
Residents and businesses must have confidence in the Council and we remain committed to being the best we can possibly be. We will: • ensure that all our services are delivered in a cost effective and efficient way supported by technology and in collaboration with our partners and citizens. • make best use of our available resources and assets providing value for money for residents and businesses. • be open and transparent in our leadership and governance. • maximise external funding and be commercially active bringing greater resilience to our finances. • take active steps across all council departments to reduce our carbon footprint and be even more environmentally and ecologically aware.

Corporate Plan Performance Summary

To help the Council measure its performance against the eight corporate priorities outlined in the previous section, a performance framework is in place which measure performance based on 73 key performance indicators (KPIs). Of the 73 measures, assessment was made as follows as at the end of 2020/21:

- 3% (2 actual) have been forecast as “red” where performance is, or is likely to be, off track.
- 21% (15 actual) have been forecast as “amber” where delivery is on track and is currently being managed.
- 59% (43 actual) have been forecast as “green” or on track.
- 17% (13 actual) of the measures do not have data or a RAG rating available.

The number of instances where it has not been possible to report data has reduced slightly from the previous year, and continues to be due to Council resources being diverted to respond to the Coronavirus pandemic.

Guidelines provided to assist departments in allocating a RAG rating to their targets, are as follows:

RED	• The measure is likely to fail or perform poorly in the future • The measure falls below a set national target / statutory required performance. • The measure may also be below a minimum requirement for the particular service as agreed by the department • The lead department perceives there could be a potential serious risk to the Council

AMBER	• The measure is at risk of failure, but the lead department feels this is currently being managed • Actions are or need to be in place to ensure that the end of year position is achieved
GREEN	• The measure is on target/ over performing / over achieving (if departmental target has been set) • The lead department perceives there is currently no risk to the council in relation to this measure.

The table below shows a breakdown of the measures across priorities:

Priority		Total	Red	Amber	Green	Data is currently unavailable
People (27) A good quality of life for all of our residents	**P1 – Supporting young people and raising aspirations**	**6**	0	1	5	0
	P2 – Safeguarding and supporting the most vulnerable people	**9**	0	3	6	0
	P3 – Reducing health inequalities and improving health outcomes	**15**	2	2	7	4
Place (12) Community pride in a vibrant place to live and visit	**P4 – Connected communities**	**8**	0	1	7	0
	P5 – Safe and clean environment	**5**	0	1	4	0
Economy (14) A strong and inclusive economy with continued growth	**P6 – Strong, growing economy to enable social mobility**	**10**	0	1	7	2
	P7 – Supporting our town centres and businesses	**4**	0	0	0	4
Council (16) Delivered by a strong and resilient council	**P8 – Transparent and effective organisation**	**16**	0	6	7	3
Total		**73**	**2**	**15**	**43**	**13**
Overall percentage		**100%**	**3%**	**21%**	**59%**	**17%**

Whilst the performance for the year across the Council was predominantly positive, challenges persist; those areas where progress has not been made as anticipated, or where targets were not achieved (and therefore performance has been rated Red) relate to the following measures:

P3 – Reducing health inequalities and improving health outcomes	**Performance Measure: No. 28** Reducing smoking in adults	**Target:** 15% (good performance is lower) **Baseline:** 16.2% (2018) **Performance 2020/21:** 15.5%
	Performance Measure: No. 29 Proportion of all in drug treatment who had successfully completed treatment and did not re-present within six months.	**Target:** 24% (good performance is higher) **Baseline:** 22.3% **Performance 2020/21:** 20.55% (Q3 2020)

A report on the Council's progress against the Corporate Plan during 2020/21 was included on the agenda for the Executive Board meeting held on 10th June 2021. Appendix Two to the report outlines the reason for the performance, what the likely impact of continued performance at this level would be and what activities have been, or are being, put in place to address these issues. The report can be found on the Council's website.

Response to COVID-19

Since the end of March 2020, the borough has faced immense Covid-related challenges which have been particularly unique to our area. Long term structural factors such as poor health and people living with multiple long term conditions, intergenerational living, quality and density of housing stock, multiple community languages, digital literacy and access issues, deprivation and high numbers of workers in lower paid front-line roles have all contributed to Blackburn with Darwen presenting with consistently high infection rates and consequently prolonged tough restrictions, recognised as being an area of Enduring Transmission.

A strength of Blackburn with Darwen as a local area is strong partnerships between the local authority, health sector, education network, businesses and the Community, Voluntary and Faith Sector. This has enabled the Council and partners to quickly mobilise an Outbreak Management Plan with an Internal Covid Response Strategy and Covid Response Plan to steer Council resources and provide focus.

Strong integrated partnerships have been formed to drive key themes including:

- **Food resilience** – Nourish Group and Food Alliance
- **Digital** – Digital Inclusion Network
- **Employment** – Youth Hub, ESOL Hub, Inclusion Employment and Skills Group
- **Cohesion** – Our Community, Our Future Programme

The Council prioritised its ongoing response and formed a network of internal Boards, groups and work streams to keep abreast of the changing picture to inform the development of strategies, the implementation of government announcements, and the provision of support to residents and businesses to help them comply with guidelines and stay safe.

The success of the Council's response to the pandemic is largely due to the flexibility and attitude of the workforce to embrace blended roles and provide support where help is needed. A co-ordinated programme of redeployment has supported 130 staff into Covid response roles in temporary new teams. This programme has enabled the Council to adapt to changing restrictions and demand for services. Other teams have provided stability throughout this period by continuing to provide quality business-as-usual services to residents and our own workforce. All departments and teams have had to rethink how they operate to meet expectation and need, with many finding innovative digital solutions to deliver services on-line and work remotely. Those key achievements and innovations include:

- Between March and June 2020, a 50-strong team of redeployed Council staff embraced warehousing and delivery roles to make daily deliveries to residents who could not venture out to buy food and drink and had no other means of support.
- The Help Hub has also provided other support to vulnerable people, providing a range of information and advice and is still in operation.
- Over 50 residents signed up to be Telephone Befriender volunteers, providing a weekly call to people across the borough who have little or no contact with others to check on their wellbeing and support needs.
- An important part of the Council's Covid response has been to support the management of incidents and outbreaks in a wide range of settings such as care homes, schools, places of worship, and workplaces. Early in the pandemic, a multi-disciplinary Incident Management Hub (IMH) was established to provide early intervention support where it is needed to help limit the spread of the virus. Adult Social Care and Education Response Teams have also been established to provide advice and guidance to those specific sectors.
- Throughout August 2020, the Council's network of children's centres delivered food and activities as part of the "Get Stuck In" holiday programme. Each week the children's centres prepared between 2,000 and 2,500 meals.
- In November 2020, staff across the Council came together to help deliver 1.3million items of personal protective equipment (PPE) to care providers in Blackburn and Darwen ahead of the winter period.
- A comprehensive network of testing sites was established for residents, providing them with pre-booked and walk-up testing options. Subsequently, the Community Testing Team has provided kits within the home setting and helped individuals and families who needed a bit of extra guidance and practical support to access testing for reasons such as complex needs and vulnerability, sickness, and digital exclusion.
- With Blackburn with Darwen's diverse communities experiencing lockdown and special measures for longer than almost any other area in the country, creating an effective test and trace system was at the heart of our public health response. The Council worked with Public Health England and the national NHS Test and Trace team to set up a local enhanced contact tracing service. The service went live on July 29th 2020, just two months after the national service started.
- With the target of undertaking vaccinations in December 2020, the mass vaccination site based at the Cathedral Crypt was confirmed followed by further deployment of vaccines through local Health Centres. The Council worked closely with the NHS to facilitate use of all sites and ensure traffic management, safety and car parking arrangements were in place, including supporting pop-up and mobile sites in the heart of our communities.
- The Enforcement Team has carried out visits to a wide range of businesses throughout the pandemic to discuss having Covid-secure measures in place. Covid-Marshall-type street patrols were deployed in high risk areas to reinforce restrictions and provide reassurance within communities.
- The Growth & Development department worked closely with the HIVE, BID, Chamber and Growth Lancashire to support businesses via Q&A sessions, surveys and. Over 4,000 businesses were supported by the initial business grants schemes administered by the Council and Growth Lancashire. Additional financial support was provided to assist businesses through continued restrictions and national lockdowns, with grants in place from November 2020.
- The Communications team have been actively supporting the Covid-response with messaging on changing services and staying safe and well through a wide range of channels. Communication in community languages has been used, where appropriate, and other cultural needs considered to fulfil our duty to inform.

- Whilst most of the work of the Council during the pandemic has been to support the wellbeing of our residents, the focus of the Health and Safety team is to ensure the safety and wellbeing of our employees too. To do this the team have ensured that all Council buildings are Covid-secure, both for employees and visitors.
- At the start of the pandemic, the Digital and Customer Services teams rolled out Microsoft Teams in just 3 days to ensure consistent service delivery and keep colleagues connected. They also worked with colleagues from Democratic Services to develop a solution using Microsoft Teams so the formal council meetings could be held virtually under new government regulations. This has enabled Executive Members and Councillors to debate, participate and vote while observing social distancing measures to help restrict the spread of the virus.
- Council officers also worked in close partnership with other agencies through the Lancashire Local Resilience Forum.

Administration of Covid-19 grants and reliefs

As part of the Covid-19 response, the government announced a range of grant schemes to support businesses to be administered by local billing authorities. Throughout the period, authorities have been responsible for paying over the grants to businesses and have then been reimbursed by the government using a grant under Section 31 of the Local Government Act 2003 (S31). In determining how to record these transactions within the accounting statements authorities need to assess whether they should be accounting for the S31 grants paid to them and the distribution of the grants to eligible businesses as either principal or agent transactions in accordance with the accounting code of practice.

Where the amount of the award and the eligibility criteria for these schemes has been set out in government guidance, and the Council is funded in full for the grants paid out, it is considered to be acting as an agent i.e. the Council is merely distribution point for grant monies to other bodies. In this case, transactions are not reflected in the Council's financial statements, apart from balances owing from/to government at the period end i.e. a debtor or creditor balance within the Balance Sheet.

Where the Council has a set allocation of funding to distribute and has control over the distribution or the amounts of grant paid out, it is likely to be acting as a principal. In this case, transactions are reflected in the Council's financial statements i.e. as income and expenditure within the Comprehensive Income and Expenditure Statement (CIES).

The Council's assessment of agency / principal arrangements in relation to grants to local businesses, and other Covid-19 related grants treated as agency arrangements, are detailed below:

Grant Scheme	Grants paid out in 2020/21 £000	Accounting Treatment
Grants in support of local businesses		
Small Business Grants Fund (SBGF) and Retail, Hospitality and Leisure Grant Fund (RHLGF) (Closed Aug 2020)	£40,700	**Agent** – Transactions are **not included** in the CIES. Balances relate only to sums due to or from the Council
Local Authority Discretionary Grant Fund (LADGF) (Closed Aug 2020)	£2,054	**Principal** – Presented as expenditure (and income) in the CIES within Growth & development
Local Restrictions Support Grants (LRSG) – businesses "Closed" during periods of restrictions / national lockdown	£21,121	**Agent** – Transactions are **not included** in the CIES. Balances relate only to sums due to or from the Council
Local Restrictions Support Grants (LRSG) and Additional Restrictions Grant (ARG) – businesses that remained "Open" but still impacted by restrictions	£5,701	**Principal** – Presented as expenditure (and income) in the CIES within Growth & development

Other Covid-19 grants schemes assessed as Agency arrangements		
Test and Trace Support Payments Grant - Self Isolation Payments made to eligible individuals	£1,180	**Agent** – Transactions are not included in the CIES. Balances relate only to sums due to or from the Council
Infection Control Grant – discretionary payments to Adult Social Care providers	£2,448	**Agent** – Transactions are not included in the CIES. Balances relate only to sums due to or from the Council

Further details of government grants to support Council services throughout the Covid-19 pandemic are included in Notes 6 and 7.

FINANCIAL PERFORMANCE OF THE COUNCIL 2020/21

Revenue Outturn

The general fund revenue accounts represent the cost of meeting the annual expenses of carrying out the Council's duties and responsibilities to the community, most of which are of a statutory nature.

The Council's proposals for the Revenue Budget 2020/21 and the Medium Term Financial Strategy (MTFS) for 2020-23 were agreed at Finance Council on 24th February 2020. The purpose of the MTFS is to set the financial framework for the Council for the medium term to ensure delivery of the Council's strategic objectives and major projects. As the Government only issued details of a one year local government finance settlement for 2020/21, and gave no indication of their proposed changes to the mechanisms for Business Rates Retention nor their intended approach for redistributing resources through future local government finance settlements, the funding arrangements beyond 2020/21 were not possible to plan for with any certainty. In preparing the 2020-23 MTFS, the Council therefore focused on the year 2020/21, and included figures for 2021/22 and 2022/23 based on scenario modelling for the impact of possible changes to funding streams, together with estimates of the future cost of existing services and the financial impact of emerging cost pressures. Within this financial context, the MTFS was drafted to ensure that the Council's strategy remains to help support those in hardship whilst encouraging the growth of jobs and businesses.

At Finance Council on 24th February 2020, the Council approved a revenue budget of £143.375 million. This represented approved net expenditure of £143.245 million (including parish precepts of £0.190 million) plus a contribution to Council reserves of £0.130 million. Since then, the Covid-19 pandemic has created a massive shock to the economy and resulted in significant, unplanned expenditure and income losses for the Council.

During the course of 2020, the Government began to provide additional resources to Councils to meet these unplanned costs and mitigate some of the financial losses incurred. Funding was made available through a Contain Outbreak Management Fund (COMF). This funding is ring-fenced for public health purposes to tackle Covid-19, working to break the chain of transmission and protecting the most vulnerable. Non ring-fenced Covid-19 grant was also received and the Government introduced a Sales, Fees and Charges losses support scheme which reimbursed 75p in every pound after the Council has met the first 5% of eligible income losses, mainly excluding commercial income. Additional funding was also provided for Local Authorities, like Blackburn with Darwen, subject to local restrictions tiers in 2020 and the subsequent national lockdowns. As the continuing response to and recovery from Covid-19 spans financial years, funding received in the financial year 2020/21 can be carried forward into 2021/22 to support ongoing response and recovery work. Indeed, the specific funding will be critical during 2021/22 as we continue to deliver Covid-related response and recovery activity alongside an increasing number of Council services returning to business as usual.

As with other public sector organisations, we are also dealing with a backlog and rise in demand across many of our services including social work support for vulnerable adults and children, legal, registrars, public protection, youth provision, employment and business support. To acknowledge the adjustments to services in continuing to respond to the pandemic, and operate within Covid-safe guidelines, the Council has allocated additional resource in 2021/22 to manage the increased demand and provide capacity to deal with outstanding backlogs.

With regard to economic activity and the potential ongoing impact on our sales, fees and charges the government's own data indicates activity will not return to pre-Covid-19 levels until 2023. The impact of the pandemic led to a 10% fall in economic output over 2020 which is only expected to recover by 4% this year and 7% in 2022/23. The government has extended the Sales, Fees and Charges compensation scheme but only until the end of June 2021.

At Outturn Covid-19 revenue support has been applied to Portfolio controllable budgets contributing to an overall underspend of £10.628 million, of which £3.621 million relates to the Schools and Education (DSG) portfolio. The summary of the outturn revenue position is as follows:

	Original Estimate £000	Revised Estimate (Qtr 4) £000	Actual Outturn £000	Variation from Revised £000
Net Expenditure				
Adult services and prevention	50,854	53,262	49,795	(3,467)
Public health and wellbeing	2,154	2,965	2,486	(479)
Children, young people and education	29,802	32,045	30,813	(1,232)
Environmental services	8,948	11,319	9,922	(1,397)
Growth and development	7,850	7,339	7,737	398
Digital and customer services	5,625	5,916	5,330	(586)
Finance and governance	9,555	12,761	12,517	(244)
Schools and education (DSG)	(941)	(941)	(4,562)	(3,621)
Net portfolio controllable expenditure	**113,847**	**124,666**	**114,038**	**(10,628)**
Contribution from schools for prudential borrowing	(520)	(520)	(520)	0
Contribution to capital expenditure	300	129	129	0
Interest and debt repayment	19,610	19,410	18,135	(1,275)
Amounts to be allocated / contingencies	9,818	829	829	0
Parish councils	190	190	190	0
Total net expenditure	**143,245**	**144,704**	**132,801**	**(11,903)**
Contribution (from)/to reserves	130	27,816	33,312	5,496
Total net budget	**143,375**	**172,520**	**166,113**	**(6,407)**
Financed by:				
Non-ring fenced Government grants	(66,064)	(95,209)	(88,802)	6,407
Non-domestic rates	(20,587)	(20,587)	(20,587)	0
Council tax	(56,022)	(56,022)	(56,022)	0
Net surplus / (deficit) on Collection Fund	(702)	(702)	(702)	0
Total financing	**(143,375)**	**(172,520)**	**(166,113)**	**6,407**

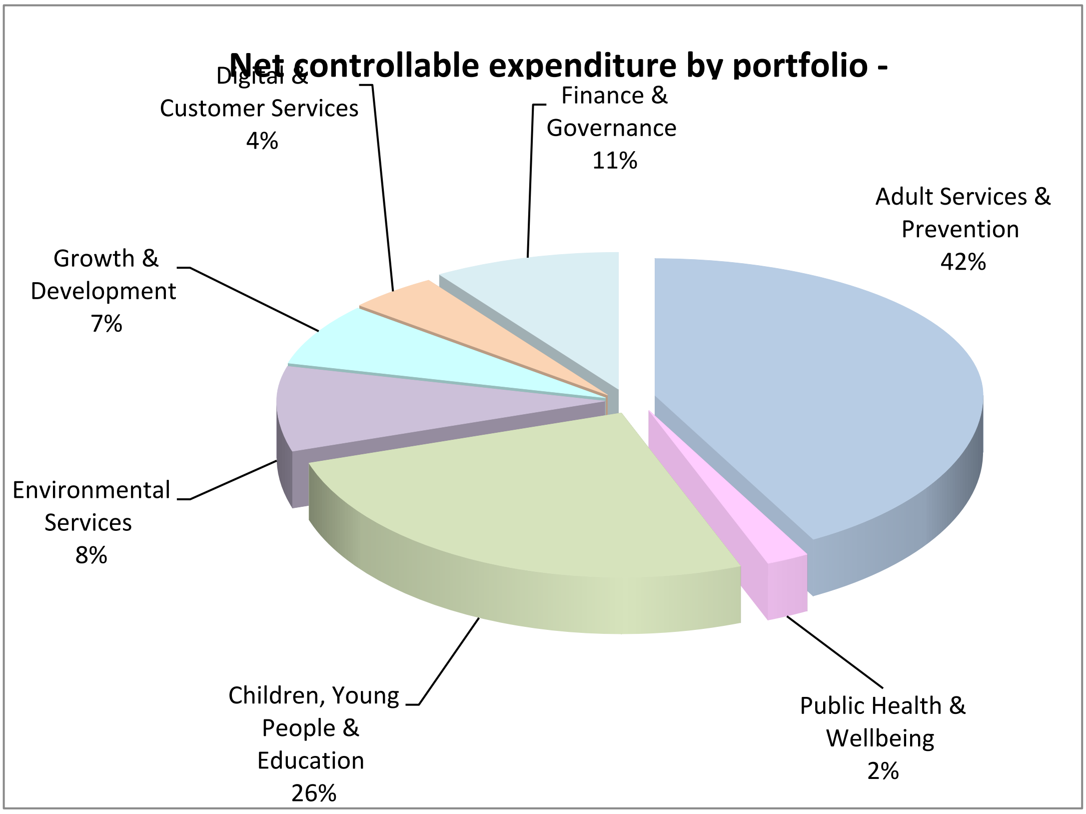
Revenue and capital budget monitoring information is reported to the Executive Board on a quarterly basis throughout the year, with the actual outturn position being reported in the Quarter 4 report. In addition, Treasury Management performance is reviewed by the Treasury Management Group and reported to the Audit and Governance Committee.

Decisions about resource allocation are taken by the Council's Executive Board on the basis of budgets analysed across portfolios as shown above. Portfolio controllable budgets are monitored and revised throughout the year and actual expenditure and income (revenue outturn) is measured against this revised budget at the financial year end.

Budgets in relation to schools are ring fenced under the heading *Schools and education (DSG)* and funded by Dedicated Schools Grant. The reported underspend £3.621 million is made up of a surplus in relation to individual school balances of £3.787 million, and a deficit of £0.166 million in respect of centrally retained budgets.

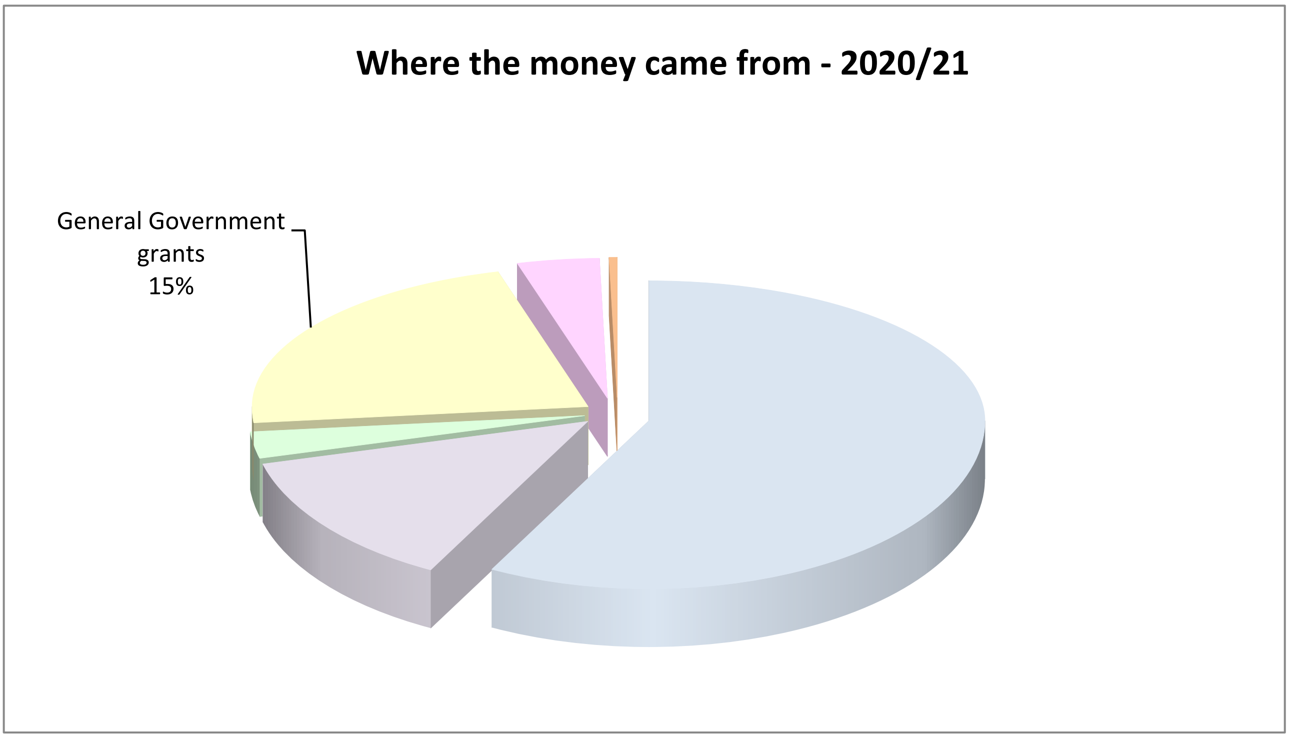
In addition to the portfolio position, there were also savings in respect of interest and debt repayment budgets, resulting largely from a review of the Minimum Revenue Provision (MRP) Policy.

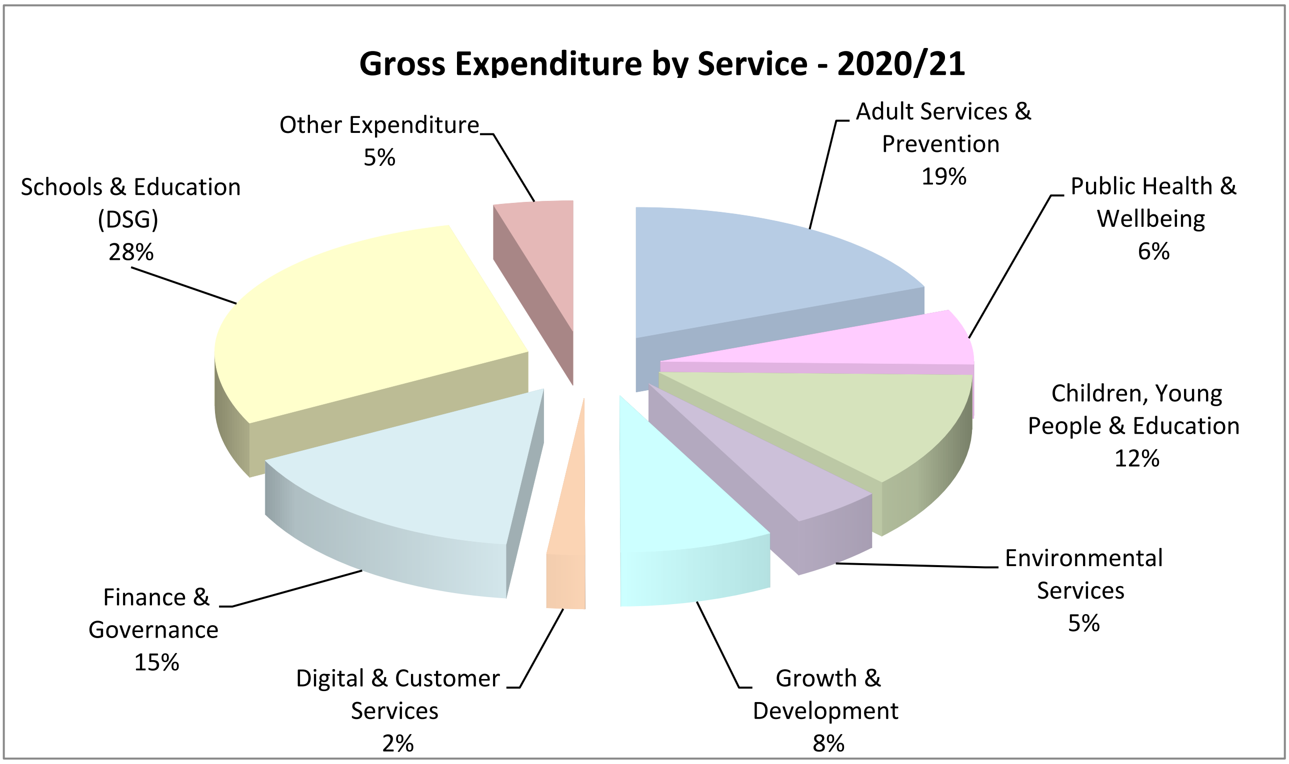
The net controllable expenditure by portfolio (excluding *Schools and education (DSG)*) for 2020/21 is shown in the chart below:



Analysis of income and expenditure by service in the Comprehensive Income and Expenditure Statement is presented on the basis of how the Council is structured and how it monitors and manages its financial performance i.e. by reference to portfolio controllable budgets. The Expenditure and Funding Analysis (Note 1) explains the differences between the revenue outturn figures above and financial performance reported on the basis of proper accounting practices within the Comprehensive Income and Expenditure Statement.

The following charts derive from the Comprehensive Income and Expenditure Statement and show where the money came from and how it was spent.





Capital Expenditure

Capital expenditure and income result from transactions in respect of the following:

- Buying or selling land or property
- Building new property
- Purchasing plant or equipment
- Significantly enhancing the value of our existing property

- Providing loans and / or grants to others for the above
- Service and commercial investments made for their contribution toward service delivery objectives

The Council's Capital Programme for the period 2020-2023 was agreed at Finance Council on 24th February 2020.

The approved portfolio capital programme for 2020/21 was £33.930 million although additional approvals and re-profiling of capital schemes in year resulted in a revised programme of £25.117 million. Actual expenditure was £21.073 million which is 83.9% of the revised programme.

	Approved Programme £000	Revised Programme £000	Actual £000	Variation from Revised £000
Capital Expenditure				
Adult services and prevention	2,796	1,164	976	(188)
Public health and wellbeing	0	0	2	2
Children, young people and education	7,237	5,282	1,948	(3,334)
Environmental services	1,929	1,687	1,573	(114)
Growth and development	17,781	14,781	14,160	(621)
Digital and customer services	697	728	711	(17)
Finance and governance	3,490	1,475	1,703	228
Total capital expenditure	**33,930**	**25,117**	**21,073**	**(4,044)**
Resources				
Unsupported borrowing	(9,804)	(7,274)	(6,535)	739
Contributions from revenue	(300)	(1,040)	(129)	911
Government grants	(14,175)	(10,775)	(8,309)	2,466
External contributions	(9,651)	(6,028)	(6,100)	(72)
Total resources	**(33,930)**	**(25,117)**	**(21,073)**	**4,044**

The total variation at outturn compared to the last report approved by Executive Board is £4.044 million, of which the main components are:

- £3.261 million in relation to the schools capital programme, the majority of which has not yet been allocated to specific schemes and will be carried forward and utilised in 2020/21.
- A number of schemes were delayed, some due to the COVID-19 pandemic, resulting in them being re-profiled and budgets being carried forward into 2020/21.

The major schemes in 2020/21 are listed below together with the sources of financing.

Capital Expenditure	£000
Adults and prevention services	
Disabled facilities grants	806
Telecare project	170
Children, young people and education	
Disabled facilities grants	171
St Barnabas and St Pauls	100
Audley Infant and Junior – New heating system	504

Avondale Kitchen	273
Feniscowles Heating	154
St Cuthberts SEND	236
Audley Infant	154
Environmental services	
Purchase of Blue Waste Bins	1,355
Feilden Street Car Park ANPR	189
Growth and development	
Local Transport Plan	9,569
Reel Cinema	2,848
Blakey Moor	408
Land Release Fund	274
Assistance to Industry	180
Darwen Towns Fund	292
Old Gates Drive FAS Blackburn	242
Development Investment Fund	153
Digital and customer services	
Corporate ICT Schemes	711
Finance and governance	
Corporate Accommodation Strategy Phase 2	1,300
Purchase of 3-7 Blakey Moor	228
15a Town Hall Street Roofing	175
Other schemes	581
Total	**21,073**

Capital Financing	**£000**
Unsupported borrowing	(6,535)
Contributions from revenue	(129)
Government grants and external contributions	(14,409)
Total	**(21,073)**

Treasury Management

Throughout 2020/21, the Council's investment balances have been unusually high due to an increased level of funding received from central government. This included both grants received in advance of their usual payment dates and additional funding in response to the COVID-19 pandemic – either to fund The Council's own additional cost and income losses, or for the distribution of grants to support local businesses. Investment balances averaged around £56 million, ranging between £35 million and £110 million. Investments were generally either kept on call, or for relatively short durations, resulting in low returns. Interest rates on investments fell significantly over the course of the year to exceptionally low rates, following the Bank of England Bank Rate cuts in March 2020, which are likely to remain for the near future. Interest earned was around £60,000, at an average rate of 0.10%.

Excluding the nominal debt associated with schools Private Finance Initiative (PFI) schemes, the Council's long term debt fell from £150 million to £146 million, with a further £78 million in short-term loans at the end of the year (decreased from £84 million a year ago) taking the closing total to £224 million. Interest on financing this debt cost the Council approximately £6.3 million (up from £6.1 million in 2019/20), with another £0.3 million interest cost on the £13.6 million of debt managed on the Council's behalf by Lancashire County Council.

Excluding the schools PFI element, the Council's Capital Financing Requirement (CFR) - the long-term borrowing need to cover capital spending not financed from other sources – fell from £231 million to £229 million. The Council's total debt was temporarily £0.6 million above that CFR position at year end. The Council has continued to use its overall cash position, and cheaper short-term borrowing, to make significant savings in borrowing costs. Interest costs are expected to remain low in the near future, but some increase in the cost of borrowing may arise in future years, adding to budget pressures.

In 2020/21 the Council reviewed its MRP (Minimum Revenue Provision) Policy, which determines how it will make a prudent charge for debt repayment in the accounts. The change was to more closely align the revenue costs of acquiring capital assets with the economic benefits received over the life of those assets. As a result, the MRP charge to revenue will be lower than in previous years, so the Capital Financing Requirement will be higher than it would otherwise be (and total interest costs higher), but there will be a net saving for the first two decades, with increasing net costs thereafter. The net saving in 2020/21 was in excess of £1 million.

Pension Fund Liability

The pension fund liability at 31 March 2021 as estimated by the fund actuary was £325.2 million compared to £253.1 million at 31 March 2020. This liability represents the underlying commitments that the Council has to pay retirement benefits. The variation between years was due to changing assumptions by the actuary. The liability represents the value at a point in time, and as the fund assets are mainly invested in equities and bonds the value of these and, therefore, the pension liability can vary as market values change.

Further details on post-employment benefits are provided in Note 30.

CONTENT OF THE STATEMENT OF ACCOUNTS

The Statement of Accounts summarises the Council's transactions for the financial year 2020/21 and its position at the year end of 31 March 2021. It has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting (the Code) which is based on International Financial Reporting Standards (IFRS).

The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, members, employees and other interested parties clear information about the Council's finances. It provides information on the following:

- The cost of the Council's services for the year
- Where the money came from
- What the Council's assets and liabilities were at the year end

CORE FINANCIAL STATEMENTS

The accounts consist of the following core financial statements supported by explanatory notes and the accounting policies applied by the Council in preparing and presenting those financial statements. An explanation of the purpose of each of the statements is given below.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Local authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and the Expenditure and Funding Analysis (Note 1).

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and other “unusable reserves”. It also shows how the movements in year of the Council’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The *Net (increase) / decrease* line shows the true statutory General Fund Balance movements in the year following those adjustments.

Balance Sheet

The Balance Sheet shows the value as at 31 March of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories:

- **Usable reserves** – those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- **Unusable reserves** – these are not able to be used to provide services and include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line *Adjustments between accounting basis and funding basis under regulations.*

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investment and financing activities.

- The amount of net cash flows arising from **operating activities** is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.
- **Investing activities** represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council’s future service delivery.
- Cash flows arising from **financing activities** are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Notes to the Financial Statements

These notes are fundamentally important in the presentation of a true and fair view, and have three significant roles:

- presenting information about the **basis of preparation** of financial statements and the **specific accounting policies** used
- disclosing the **information required by the Code** that is not presented elsewhere in the financial statements – most commonly this will entail notes breaking down lines presented on the face of the financial statements into their significant components (e.g. sub-classifications of property, plant and equipment)
- providing **information that is relevant to an understanding of the financial statements in general** – this will apply to information that is material in a qualitative sense but not material enough in a quantitative sense to justify disclosure on the face of any of the statements (e.g. transactions with related parties).

SUPPLEMENTARY FINANCIAL STATEMENTS

Collection Fund Statement and Notes

The Collection Fund Statement reflects the statutory requirement contained in Section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates (NDR).

There is no requirement for a separate Collection Fund Balance Sheet. Instead, Collection Fund balances are distributed across the Balance Sheets of the billing authority, the government and precepting authorities according to the provisions of the Code.

ACCOUNTING POLICIES

Accounting policies are the specific principles, conventions, rule and practices applied by the Council in preparing and presenting its financial statements. Accounting policies should focus on recognition, measurement and presentation in line with the requirements of the Code, as follows:

- Recognition – the process for recording a transaction in the Balance Sheet or the Comprehensive Income and Expenditure Statement.
- Measurement – the quantification in monetary terms of the amounts at which assets, liabilities, income, expenditure and reserves are reported.
- Presentation – the process for effectively communicating information on assets, liabilities, income, expenditure and reserves in the financial statements and the disclosures.

Where a change in accounting policy is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always applied. Where this is the case, explanations are provided in respect of any changes being made to the figures presented in the previous year's financial statements.

STATEMENT OF RESPONSIBILITIES

This statement defines the responsibilities of the Council and the Chief Financial Officer in respect of the Council's financial affairs.

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Executive, as acting Chief Financial/s151 Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Chief Executive's responsibilities

The Chief Executive, as acting Chief Financial/s151 Officer, is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA*)* Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Executive has:

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

The Chief Executive has also:

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

Certification of Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council and its income and expenditure for the year ended 31 March 2021.

D. Park
Chief Executive
Blackburn with Darwen Borough Council
xxth July 2023

INDEPENDENT AUDITORS' REPORT

This version of the Statement of Accounts is presented in advance of Audit. The published version will include the Audit Certification on these pages.

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2019/20 (Restated)				2020/21		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
76,989	(24,862)	52,127	Adult services and prevention	78,157	(24,927)	53,230
22,265	(20,789)	1,476	Public health and wellbeing	21,186	(21,658)	(472)
52,187	(4,983)	47,204	Children, young people and education	47,649	(7,694)	39,955
17,802	(6,636)	11,166	Environmental services	18,516	(6,409)	12,107
22,156	(7,648)	14,508	Growth and development	31,974	(14,616)	17,358
8,424	(828)	7,596	Digital and customer services	7,811	(581)	7,230
66,695	(42,847)	23,848	Finance and governance	60,623	(43,700)	16,923
114,587	(117,552)	(2,965)	Schools and education (DSG)	110,905	(120,018)	(9,113)
381,105	**(226,145)**	**154,960**	**Cost of Services**	**376,821**	**(239,603)**	**137,218**
		21,334	Other operating expenditure (Note 4)			1,568
		18,024	Financing and investment income and expenditure (Note 5)			17,595
		(153,995)	Taxation and non-specific grant income (Note 6)			(173,449)
		40,323	**(Surplus)/deficit on provision of services**			**(17,068)**
		(18,418)	(Surplus)/deficit on revaluation of non-current assets (Note 29)			(3,791)
		(42,461)	Re-measurement of the net defined benefit pension liability (Note 29)			82,611
		(60,879)	**Other comprehensive income and expenditure**			**78,820**
		(20,556)	**Total comprehensive income and expenditure**			**61,752**

The 2019/20 comparative figure, in respect of the surplus on revaluation of non-current assets, above has been restated to reflect a change in the accounting policy for the valuation of Heritage assets. Further details are provided in Note 16.

The 2019/20 comparative figures, in respect of the cost of services for the Finance and Governance portfolio and the Financing and Investment Income and Expenditure, above have been restated to reflect a prior year adjustment in relation to the value of the Finance Lease debtor for the shopping centre lease. Further details are provided in Note 28.

The impact of these restatements on Income and Expenditure amounts is detailed in the following table:

	Statement of accounts 2019/20	Prior period adjustment – Heritage Assets revaluation	Prior period adjustment – Shipping centre finance lease debtor	Statement of accounts 2020/21
Finance and governance – Gross Expenditure	68,142	0	(1,447)	66,695
Finance and governance – Net Expenditure	25,295	0	(1,447)	23,848
Cost of Services – Gross Expenditure	**382,552**	**0**	**(1,447)**	**381,105**
Cost of Services – Net Expenditure	**156,407**	**0**	**(1,447)**	**154,960**
Financing and investment income and expenditure	16,579	0	1,445	18,024
(Surplus)/deficit on provision of services	**40,325**	**0**	**(2)**	**40,323**
(Surplus)/deficit on revaluation of non-current assets	(15,474)	(2,944)	0	(18,418)
Total comprehensive income and expenditure	**(17,610)**	**(2,944)**	**(2)**	**(20,556)**

MOVEMENT IN RESERVES STATEMENT

	General Fund (b) £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves (Note 29) £000	Unusable Reserves (Restated) (Note 29) £000	Total Reserves £000
Balance at 1 April 2019 (Restated)	**(32,926)**	**(250)**	**(6,929)**	**(40,105)**	**121,539**	**81,434**
Total comprehensive income and expenditure (Restated) (a)	40,323	0	0	40,323	(60,879)	(20,556)
Adjustments between accounting basis and funding basis under regulations (Note 3)	(43,201)	250	1,086	(41,865)	41,865	**0**
Net (increase)/decrease in year	**(2,878)**	**250**	**1,086**	**(1,542)**	**(19,014)**	**(20,556)**
Balance at 31 March 2020 (Restated)	**(35,804)**	**0**	**(5,843)**	**(41,647)**	**102,525**	**60,878**
Total comprehensive income and expenditure (a)	(17,068)	0	0	(17,068)	78,820	61,752
Adjustments between accounting basis and funding basis under regulations (Note 3)	(16,244)	0	(6,847)	(23,091)	23,091	**0**
Net (increase)/decrease in year	**(33,312)**	**0**	**(6,847)**	**(40,159)**	**101,911**	**61,752**
Balance at 31 March 2021	**(69,116)**	**0**	**(12,690)**	**(81,806)**	**204,436**	**122,630**

a) Total Comprehensive Income and Expenditure from the Comprehensive Income and Expenditure Statement.
b) The General Fund column amalgamates the Council's Earmarked and Unallocated reserves (Note 29).

As noted above, the 2019/20 comparative figures have been restated in respect of adjustments in relation to revaluation of heritage assets and an amendment to the value of the shopping centre finance lease debtor. The adjustments in the Movement in Reserves Statement as a result of these restatements are:

Total Useable Reserves (General Fund)	**Statement of accounts 2019/20**		**Prior period adjustment – Shopping centre finance lease debtor**	**Statement of accounts 2020/21**
Balance at 1 April 2019	**(40,105)**		**0**	**(40,105)**
Total comprehensive income and expenditure	40,325		(2)	40,323
Adjustments between accounting basis and funding basis under regulations	(41,867)		2	(41,865)
Net (increase)/decrease in year	**(1,542)**		**0**	**(1,542)**
Balance at 31 March 2020	**(41,647)**		**0**	**(41,647)**

MOVEMENT IN RESERVES STATEMENT

Total Unusable Reserves	Statement of accounts 2019/20	Prior period adjustment – Heritage Assets revaluation Revaluation Reserve	Prior period adjustment – Shopping centre finance lease debtor Deferred Capital Receipt Reserve	Statement of accounts 2020/21
Balance at 1 April 2019	**108,565**	**(13,301)**	**26,275**	**121,539**
Total comprehensive income and expenditure	(57,935)	(2,944)	0	(60,879)
Adjustments between accounting basis and funding basis under regulations	41,867	0	(2)	41,865
Net (increase)/decrease in year	**(16,068)**	**(2,944)**	**(2)**	**(19,014)**
Balance at 31 March 2020	**92,497**	**(16,245)**	**26,273**	**102,525**

BALANCE SHEET

1 April 2019 (Restated) £000	31 March 2020 (Restated) £000		Note	31 March 2021 £000
412,964	415,609	Property, plant and equipment	13	422,337
32,672	35,616	Heritage assets	16	37,089
57	50	Investment properties	17	49
1,562	1,212	Intangible assets	18	926
1,262	1,252	Long term investments	19	575
1,346	1,379	Long term debtors	20	1,451
449,863	**455,118**	**Long term assets**		**462,427**
6,163	38,045	Short term investments	26	34,018
356	275	Inventories		326
20,579	21,078	Short term debtors	21	33,412
25,634	27,099	Cash and cash equivalents	22	32,167
52,732	**86,497**	**Current assets**		**99,923**
(616)	(1,899)	Bank overdraft	22	(7,656)
(50,081)	(88,846)	Short term borrowing	25	(82,507)
(35,410)	(34,213)	Short term creditors	23	(48,131)
(1,766)	(115)	Grants received in advance		(3,152)
(87,873)	**(125,073)**	**Current liabilities**		**(141,446)**
(3,052)	(2,547)	Provisions	24	(2,875)
(150,290)	(146,048)	Long term borrowing	25	(142,148)
(342,814)	(328,825)	Other long term liabilities	26	(398,511)
(496,156)	**(477,420)**	**Long term liabilities**		**(543,534)**
(81,434)	**(60,878)**	**Net assets**		**(122,630)**
(40,105)	(41,647)	Usable reserves	29	(81,806)
121,539	102,525	Unusable reserves	29	204,436
81,434	**60,878**	**Total reserves**		**122,630**

The 1 April 2019 and 31 March 2020 comparative figures above have been restated to reflect changes in:

1. the classification of the Council's borrowing, resulting in a movement from short-term to long-term liabilities of £13.240 million at 1 April 2019 and £8.233 million at 31 March 2020 - further details in Note 25.
2. the accounting policy for the valuation of Heritage assets – further details in Note 16
3. the reclassification of one former Heritage Asset as Infrastructure within Property, plant and equipment- further details in Note 16.
4. the adjustment of the shopping centre finance lease debtor value – further details in Note 28.

The impact of these restatements on Balance Sheet amounts is detailed in the following table:

	Statement of accounts 2019/20	Prior period adjustment - reclassification	Prior period adjustment - revaluation	Prior period adjustment – Shopping centre finance lease debtor	Statement of accounts 2020/21
Property, Plants & Equipment					
01-Apr-19	412,891	73			412,964
31-Mar-20	415,536	73			415,609
Heritage Assets					
01-Apr-19	19,444	(73)	13,301		32,672
31-Mar-20	19,444	(73)	16,245		35,616
Long Term Debtors					
01-Apr-19	27,621			(26,275)	1,346
31-Mar-20	27,652			(26,273)	1,379
Short term borrowing					
01-Apr-19	(63,321)	13,240			(50,081)
31-Mar-20	(97,079)	8,233			(88,846)
Long term borrowing					
01-Apr-19	(137,050)	(13,240)			(150,290)
31-Mar-20	(137,815)	(8,233)			(146,048)
Unusable reserves					
01-Apr-19	108,565		(13,301)	26,275	121,539
31-Mar-20	92,497		(16,245)	26,273	102,525

CASH FLOW STATEMENT

2019/20 (Restated) £000		Note	2020/21 £000
(40,323)	Net surplus/(deficit) on the provision of services		17,068
64,859	Adjustments to net surplus/deficit on the provision of services for non-cash movements	31	7,116
(14,292)	Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities	31	(23,603)
10,244	**Net cash flows from operating activities**		**581**
(42,596)	Investing activities	31	12,569
32,534	Financing activities	31	(13,839)
182	**Net increase/(decrease) in cash or cash equivalents**		**(689)**
25,018	Cash and cash equivalents at the beginning of the reporting period		25,200
25,200	**Cash and cash equivalents at the end of the reporting period**		**24,511**

The 2019/20 comparative figures above, in respect of the Net surplus/(deficit) on the provision of services, and Investing Activities, have been restated to reflect a prior year adjustment in relation to the value of the Finance Lease debtor for the shopping centre lease. Further details are provided in Note 28.

1 EXPENDITURE AND FUNDING ANALYSIS

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

The 2019/20 comparative figures have been restated as reflected in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement

2019/20				2020/21		
Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between the Funding and Accounting Basis (Analysis below) (Restated) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement (Restated) £000		Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between the Funding and Accounting Basis (Analysis below) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
49,523	2,604	52,127	Adult services and prevention	49,795	3,435	53,230
1,829	(353)	1,476	Public health and wellbeing	2,486	(2,958)	(472)
34,615	12,589	47,204	Children, young people and education	30,813	9,142	39,955
8,619	2,547	11,166	Environmental services	9,922	2,185	12,107
6,312	8,196	14,508	Growth and development	7,737	9,621	17,358
5,361	2,235	7,596	Digital and customer services	5,330	1,900	7,230
10,650	13,198	23,848	Finance and governance	12,517	4,406	16,923
2,088	(5,053)	(2,965)	Schools and education (DSG)	(4,562)	(4,551)	(9,113)
118,997	**35,963**	**154,960**	**Cost of Services**	**114,038**	**23,180**	**137,218**
(121,875)	7,238	(114,637)	Other income and expenditure	(147,350)	(6,936)	(154,286)
(2,878)	**43,201**	**40,323**	**(Surplus)/deficit**	**(33,312)**	**16,244**	**(17,068)**

(32,926)			**Opening General Fund Balance at 1 April**	**(35,804)**		
(2,878)			**(Surplus)/deficit**	(33,312)		
(35,804)			**Closing General Fund Balance at 31 March**	**(69,116)**		

2020/21 Adjustments between the Funding and Accounting Basis	Adjustments for Capital Purposes (Note 1a) £000	Net change for the Pensions adjustments (Note 1 b) £000	Other Differences (Note 1 c) £000	**Total Adjustments £000**
Adult services and prevention	317	1,809	1,309	3,435
Public health and wellbeing	85	681	(3,724)	(2,958)
Children, young people and education	114	2,420	6,608	9,142
Environmental services	(54)	886	1,353	2,185
Growth and development	8,340	976	305	9,621
Digital and customer services	955	607	338	1,900
Finance and governance	2,038	1,128	1,240	4,406
Schools and education (DSG)	0	2,757	(7,308)	(4,551)
Net Cost of Services	**11,795**	**11,264**	**121**	**23,180**
Other expenditure and income from the Expenditure and Funding Analysis	(24,290)	4,744	12,610	(6,936)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(12,495)**	**16,008**	**12,731**	**16,244**

2019/20 (Restated) Adjustments between the Funding and Accounting Basis	Adjustments for Capital Purposes (Note 1a) £000	Net change for the Pensions adjustments (Note 1 b) £000	Other Differences (Note 1 c) £000	**Total Adjustments £000**
Adult services and prevention	(6)	1,723	887	2,604
Public health and wellbeing	2,213	718	(3,284)	(353)
Children, young people and education	3,109	2,658	6,822	12,589
Environmental services	333	925	1,289	2,547
Growth and development	6,982	936	278	8,196
Digital and customer services	1,023	658	554	2,235
Finance and governance	718	11,961	519	13,198
Schools and education (DSG)	0	2,886	(7,939)	(5,053)
Net Cost of Services	**14,372**	**22,465**	**(874)**	**35,963**
Other expenditure and income from the Expenditure and Funding Analysis	3,299	3,905	34	7,238
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**17,671**	**26,370**	**(840)**	**43,201**

1 a Adjustments for Capital Purposes – this column adds in depreciation, amortisation, impairment, revaluation gains and losses and net REFCUS expenditure to the cost of services line of the Comprehensive Income and Expenditure Statement, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. This line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

1 b Net change for the Pensions Adjustments – this relates to the Local Government Pension scheme and involves the removal of pension contributions and the addition of *IAS 19 Employee Benefits* pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the Council to the Local Government Pension Fund as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure -** the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

1 c Other Differences - Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- **For Services** the other differences column recognises adjustments to the General Fund for the cost of compensated absences e.g. annual leave entitlement not taken by employees during the year. Items in relation to leases and investment property expenditure and income are adjusted between services and the Financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement.
- For **Financing and investment income and expenditure** adjustments also include timing differences for premiums and discounts and the impact of effective interest rate adjustments.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

2 EXPENDITURE AND INCOME ANALYSED BY NATURE

2019/20				2020/21		
Net Cost of Services (Restated)	Other expenditure and income	Total (Restated)	Expenditure/Income	Net Cost of Services	Other expenditure and income	Total
£000	£000	£000		£000	£000	£000
			Expenditure			
168,025	0	168,025	Employee benefits expenses	161,022	0	161,022
201,452	0	201,452	Other services expenses	205,939	0	205,939
13,075	7	13,082	Depreciation, amortisation and impairment	11,307	1	11,308
0	19,270	19,270	Interest payments and other similar charges	0	18,051	18,051
0	248	248	Precepts and levies	0	257	257
0	21,086	21,086	Gain or loss on disposal of non-current assets	0	1,311	1,311
382,552	40,611	423,163	Total expenditure	378,268	19,620	397,888
			Income			
(43,892)	(6)	(43,898)	Fees, charges and other service income	(36,532)	(6)	(36,538)
0	(1,247)	(1,247)	Interest and investment income	0	(451)	(451)
0	(84,744)	(84,744)	Income from Council Tax and Non-Domestic Rates	0	(65,240)	(65,240)
(183,700)	(69,251)	(252,951)	Government grants and other contributions	(204,518)	(108,209)	(312,727)
(227,592)	(155,248)	(382,840)	Total income	(241,050)	(173,906)	(414,956)
154,960	**(114,637)**	**40,323**	**Surplus or Deficit on the Provision of Services**	**137,218**	**(154,286)**	**17,068**

The 2019/20 comparative figures have been restated to correct the analysis of income in the table above, by reclassifying £3.176 million from *Government grants and other contributions* to *Fees, charges and other service income*, and to reflect the prior year adjustment in relation to the shopping centre lease as detailed in Note 28.

3 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

Adjustments in 2020/21	**Usable Reserves**			**Unusable Reserves**
	General Fund Balance £000	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**£000**
Depreciation, impairment and revaluation losses of non-current assets (charged to the surplus or deficit on the provision of services)	(10,898)	0	0	10,898
Movements in the fair value of investment properties	(1)	0	0	1
Amortisation of intangible assets	(409)	0	0	409
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	21,256	0	(10,645)	(10,611)
Revenue expenditure funded from capital under statute (REFCUS)	(2,338)	0	0	2,338
Net gain or (loss) on sale or de-recognition of non-current assets / long-term investment	(932)	(3,049)	0	3,981
Statutory provision for repayment of debt	5,688	0	0	(5,688)
Capital expenditure charged to the General Fund balance	129	0	0	(129)
Use of the capital receipts reserve - set aside to reduce the net indebtedness of the Council	0	3,049	0	(3,049)
Use of grants and contributions received in prior year to finance new capital expenditure	0	0	3,798	(3,798)
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	60	0	0	(60)
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS19) are different from the contributions due under the pension scheme regulations	(16,008)	0	0	16,008
Amount by which council tax income and non-domestic rate income included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	(12,071)	0	0	12,071
Amount by which officer remuneration calculated in accordance with the Code (i.e. including an accrual for holiday pay) is different from amounts payable in the year in accordance with relevant statutory provisions	(720)	0	0	720
Total adjustments	**(16,244)**	**0**	**(6,847)**	**23,091**

Comparative adjustments in 2019/20	Usable Reserves			Unusable Reserves
	General Fund Balance (Restated) £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	(Restated) £000
Depreciation, impairment and revaluation losses of non-current assets (charged to the surplus or deficit on the provision of services)	(12,562)	0	0	12,562
Movements in the fair value of investment properties	(7)	0	0	7
Amortisation of intangible assets	(513)	0	0	513
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	12,186	0	(3,036)	(9,150)
Revenue expenditure funded from capital under statute (REFCUS)	(3,288)	0	0	3,288
Net gain or (loss) on sale or de-recognition of non-current assets	(21,086)	(1,866)	0	22,952
Statutory provision for repayment of debt	6,526	0	0	(6,526)
Capital expenditure charged to the General Fund balance	1,073	0	0	(1,073)
Use of the capital receipts reserve - set aside to reduce the net indebtedness of the Council	0	2,116	0	(2,116)
Use of grants and contributions received in prior year to finance new capital expenditure	0	0	4,122	(4,122)
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	58	0	0	(58)
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS19) are different from the contributions due under the pension scheme regulations	(26,370)	0	0	26,370
Amount by which council tax income and non-domestic rate income included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	634	0	0	(634)
Amount by which officer remuneration calculated in accordance with the Code (i.e. including an accrual for holiday pay) is different from amounts payable in the year in accordance with relevant statutory provisions	148	0	0	(148)
Total adjustments	**(43,201)**	**250**	**1,086**	**41,865**

Further information is provided in Note 30 which details the movements on unusable reserves.

4 OTHER OPERATING EXPENDITURE

2019/20 £000		2020/21 £000
183	Parish council funding	190
65	Levies	67
21,086	(Gains)/losses on the disposal of non-current assets	1,311
21,334	**Total**	**1,568**

5 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2019/20 (Restated) £000		2020/21 £000
12,468	Interest and other similar charges	12,478
6,802	Pensions net interest and administration costs	5,573
(1,247)	Interest receivable and similar income	(72)
1	Income and expenditure in relation to investment properties and changes in their fair value	(5)
0	Other investment income	(379)
18,024	**Total**	**17,595**

The comparative figures at 1 April 2019 and 31 March 2020 have been restated as part of the amendments to the shopping centre finance lease. For more information please see Note 28.

6 TAXATION AND NON-SPECIFIC GRANT INCOME

The Council credited the following to the Comprehensive Income and Expenditure Statement.

2019/20 £000		2020/21 £000
(59,056)	Non-ring fenced Government grants	(88,802)
(10,195)	Capital grants and contributions	(19,407)
(69,251)	**Total non-specific grant income**	**(108,209)**
(53,115)	Council tax income	(54,652)
(31,629)	Non-domestic rates income	(10,588)
(153,995)	**Total**	**(173,449)**

As noted in the Narrative Report, during the course of 2020/21 the Government has provided additional resources to Councils to meet the unplanned costs and mitigate some of the financial losses incurred as a result of the Covid-19 pandemic. Details of the Covid-19 related funding reported as non-ring fenced government grants are included in the first table below. In addition, the Government extended business rates reliefs to help retail, leisure, hospitality, and nursery businesses through the pandemic. None of the eligible properties covered by the reliefs paid business rates in 2020/21. This resulted in a significant reduction in business rates income due to the Council, which was compensated fully by Government reimbursing local authorities using a grant under section 31 of the Local Government Act 2003.

The non-ring fenced Government grants and capital grants are analysed further in the following tables.

Non-ring fenced Government grants

2019/20 £000		2020/21 £000
0	Revenue support grant	(13,522)
(27,209)	Top-up grant (business rates retention scheme)	(24,276)
(6,685)	Compensation for loss of business rates income (s31 grant)	(13,807)
(8,471)	Private finance initiative (PFI) revenue grant	(8,471)
(7,339)	Improved Better Care Fund	(8,103)
(2,070)	Social Care grant	(4,925)
(941)	New Homes Bonus grant	(999)
(707)	Housing Benefits and Local Council Tax Support administration grant	(750)
(422)	Other	(2)
	COVID-19 related grants:	
(5,212)	COVID-19 Emergency funding / Local Authority Support Grant	(9,821)
0	Income Compensation Grant (Sales, Fees and Charges)	(3,648)
0	Local Tax Income Guarantee Scheme	(478)
(59,056)	**Total**	**(88,802)**

Capital grants and contributions

2019/20 £000		2020/21 £000
(1,546)	Education capital	(1,433)
(4,489)	Transport	(5,195)
0	Business, Energy & Industrial Strategy (BEIS)	(2,253)
(165)	Other Government grants	(1,080)
(3,995)	Other contributions	(9,446)
(10,195)	**Total**	**(19,407)**

7 GRANT INCOME AND CONTRIBUTIONS CREDITED TO COST OF SERVICES

In addition to the non-ring fenced grants, a number of service specific or ring fenced grants were credited to the cost of services as detailed below.

2019/20 (Restated) £000		2020/21 £000
(100,091)	Dedicated schools grant	(101,705)
(6,233)	Pupil premium grant	(5,985)
(14,435)	Public health grant	(14,939)
(37,677)	Rent allowances / Rent rebate subsidy and Discretionary housing payments (DHP)	(35,429)
(14,047)	Other government grants	(14,066)
	COVID-19 related grants:	
0	Funding for discretionary grant support to local businesses	(6,306)
0	Test & Trace Service support grant/Contain Outbreak Management Fund (COMF)	(4,854)
0	Council Tax Hardship Fund grant	(2,194)
0	Infection Control Grant (discretionary element)	(1,081)
0	Support for children and families	(621)
0	Other Covid-19 related grants	(2,324)
(382)	Contributions from other local authorities	(804)
(6,644)	Contributions from other public sector bodies	(8,701)
(2,200)	Other contributions	(3,660)
(1,991)	Funding of REFCUS expenditure from grants and contributions	(1,849)
(183,700)	**Total**	**(204,518)**

The table above includes Covid-19 related funding ring-fenced for specific purposes, including:

- Discretionary schemes providing financial assistance to local businesses impacted by local (tier) restrictions and national lockdowns.
- Funding for public health teams working to break the chain of Covid-19 transmission and protecting the most vulnerable.
- Support to Adult Social Care providers, to reduce the rate of Covid-19 transmission within and between care settings, and to support timely and safe discharge from hospital into care settings.
- Targeted financial support for children and families to help with the cost of food, energy and water and other associated costs.
- Funding to enable the Council to support the Clinically Extremely Vulnerable and others shown to be most at risk from coronavirus during this period.
- Funding to support additional compliance and support activities.

Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by the Dedicated Schools Grant (DSG) provided by the Department for Education. DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011.

The Schools Budget includes elements for a range of educational services provided on an authority wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2019/20 and 2020/21 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2019/20 before academy and high needs recoupment			**(156,705)**
Academy and high needs figure recouped for 2019/20			**56,614**
Total DSG after academy and high needs recoupment for 2019/20			**(100,091)**
Brought forward from 2018/19			**(6,993)**
Agreed initial budgeted distribution in 2019/20	**(40,747)**	**(66,337)**	**(107,084)**
In year adjustments	860	0	860
Final budgeted distribution for 2019/20	**(39,887)**	**(66,337)**	**(106,224)**
Actual central expenditure relating to DSG	36,046	0	**36,046**
Actual ISB deployed to schools	0	66,337	**66,337**
Carry forward to 2020/21	**(3,841)**	**0**	**(3,841)**
Final DSG for 2020/21 before academy and high needs recoupment			**(164,669)**
Academy and high needs figure recouped for 2020/21			**62,964**
Total DSG after academy recoupment for 2020/21			**(101,705)**
Brought forward from 2019/20			**(3,841)**
Agreed initial budgeted distribution in 2020/21	**(39,844)**	**(65,702)**	**(105,546)**
In year adjustments	0	0	0
Final budgeted distribution for 2020/21	**(39,844)**	**(65,702)**	**(105,546)**
Actual central expenditure relating to DSG	36,169	0	**36,169**
Actual ISB deployed to schools	0	65,702	**65,702**
Carry forward to 2021/22	**(3,675)**	**0**	**(3,675)**

8 OFFICERS' REMUNERATION

The Council is required to disclose remuneration for all employees earning over £50,000 with additional disclosures for senior officers. The number of other employees whose remuneration, excluding pension contributions, exceeded £50,000 during the year is set out in the following tables. The total of 198 includes 125 teachers (184 including 112 teachers in 2019/20).

No of Employees 2019/20	Remuneration Banding	No of Employees 2020/21
61	50,000 to 54,999	74
45	55,000 to 59,999	34
34	60,000 to 64,999	38
21	65,000 to 69,999	31
12	70,000 to 74,999	12
4	75,000 to 79,999	3
2	80,000 to 84,999	4
1	85,000 to 89,999	1
0	90,000 to 94,999	0
0	95,000 to 99,999	0
1	100,000 to 104,999	0
2	105,000 to 109,999	0
1	110,000 to 114,999	1
184	**Total**	**198**

The following tables provide an analysis by job title of the remuneration and employer's pension scheme contributions in respect of senior officers, which includes the Council's Chief Executive and the Chief Officers within the Senior Leadership Team, for 2020/21 and 2019/20. These posts are in addition to those included in the previous table.

2020/21

Post holder	Note	Salary, Fees and Allowances £000	Benefits in Kind £000	Compensation for Loss of Office £000	Total Remuneration excluding Pension Contributions £000	Pension Contribution £000	Total Remuneration including Pension Contribution £000
Chief Executive – Head of Paid Service – Denise Park		153	0	0	153	23	**176**
Strategic Director Adults & Health		116	0	0	116	17	**133**
Strategic Director Children & Education		119	0	0	119	17	**136**
Strategic Director Place		101	0	0	101	15	**116**
Strategic Director Resources		99	0	0	99	14	**113**
Director Public Health		109	0	0	109	16	**125**
Director Place		100	0	0	100	15	**115**
Director Finance	2	101	0	0	101	15	**116**
Director HR, Governance & Engagement		100	0	0	100	15	**115**
Growth Programme Director		115	0	0	115	17	**132**

1. During 2020/21 a new Departmental and Chief Officer structure was implemented and the existing Chief Officer posts were re-designated with new titles although the post holders remain the same.
2. The Director Finance left the Council's employment with effect from 25 April 2021.

2019/20

Post holder	Note	Salary, Fees and Allowances £000	Benefits in Kind £000	Compensation for Loss of Office £000	Total Remuneration excluding Pension Contributions £000	Pension Contribution £000	Total Remuneration including Pension Contribution £000
Chief Executive – Head of Paid Service – Denise Park		155	0	0	155	21	**176**
Former Chief Executive - Harry Catherall	1	13	0	130	143	2	**145**
Director of Adults & Prevention		112	0	0	112	17	**129**
Director of Public Health & Wellbeing		115	0	0	115	17	**132**
Director of Children's Services & Education		113	0	0	113	17	**130**
Director of Environment & Operations		98	0	0	98	14	**112**
Director of Finance & Customer Services		95	1	0	96	14	**110**
Director of HR, Legal & Governance		103	0	0	103	15	**118**
Director of Digital & Business Change		94	0	0	94	14	**108**
Director of Growth & Development		98	0	0	98	14	**112**
Growth Programme Director		114	1	0	115	17	**132**

1. The former Chief Executive left the Council's employment with effect from 30 April 2019.

Termination benefits

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. The total cost of an exit package includes:

- All relevant redundancy costs – compulsory and voluntary
- Pension contributions in respect of added years (pension strain)
- Ex gratia payments
- Other departure costs (e.g. pay in lieu of notice, outstanding holiday pay)

	No. Compulsory Redundancies		No. Other Exit Packages		Total Number		Total Cost £000	
Banding	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**
0 to 20,000	7	1	56	34	63	35	360	286
20,001 to 40,000	2	0	2	3	4	3	86	72
40,001 to 60,000	0	1	0	1	0	2	0	80
60,001 to 80,000	0	0	0	1	0	1	0	77
80,001 to 100,000	0	0	0	0	0	0	0	0
100,001 to 150,000	0	0	0	0	0	0	0	0
Total	**9**	**2**	**58**	**39**	**67**	**41**	**446**	**515**

The total cost of termination benefits for 2019/20 shown in the table above includes £166,410 for exit packages that have been charged to the Council's Comprehensive Income and Expenditure Account in 2020/21 but relate to individuals that left prior to 31 March 2020.

9 MEMBERS' ALLOWANCES

2019/20 £000		2020/21 £000
579	Allowances payable to Members	548
3	Expenses payable to Members	3
582	**Total**	**551**

10 EXTERNAL AUDIT COSTS

The Council incurred the following fees relating to external audit.

2019/20 £000		2020/21 £000
90	Fees incurred with regard to external audit services provided by Grant Thornton UK LLP	166
16	Fees incurred for the certification of grant claims and returns by Grant Thornton UK LLP	17
106	**Total**	**183**

11 TRADING OPERATIONS

Trading operations included within the cost of services are the markets operations in both Blackburn and Darwen. The expenditure and income in relation to these trading operations is included within the Growth and Development portfolio.

2019/20 £000		2020/21 £000
(1,369)	Turnover	(1,273)
2,741	Expenditure	2,968
1,372	**(Surplus)/deficit**	**1,695**

12 EVENTS AFTER THE BALANCE SHEET DATE

Events may occur between the balance sheet date and the date the accounts are authorised for issue which are indicative of conditions that arose after the reporting period. The Statement of Accounts is not adjusted to reflect such events, but disclosure is required of the nature of the events and their estimated financial effect.

Accounting for infrastructure assets

Accounting for infrastructure in local government has not historically been considered to be an area of significant accounting estimate due to the use of a historical cost basis of accounting. Audit network discussions convened by the National Audit Office have raised concerns that authorities are not applying component accounting requirements in these circumstances. The issue relates to the derecognition (removal of the carrying amount) of parts of infrastructure assets when replacement expenditure is undertaken and the associated reporting of gross historical cost and accumulated depreciation.

Normal custom and practice for (highways) infrastructure assets in the public sector is that derecognition does not affect asset balances because the assets are expected to have been fully used up before the replacement expenditure takes place, this does require that assets are properly depreciated in line with the requirements of the Accounting Code.

During the financial year 2022/23, CIPFA established a task and finish group to address this issue, and at the end of November 2022, CIPFA issued its *Update to the Code and Specifications for Future Codes for Infrastructure Assets.* This was followed by an amendment to *The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003* (“the 2003 Regulations”), which relates to infrastructure assets. The amendment comes into force from 25th December 2022 and applies only in respect of statements of accounts for financial years beginning on or before 1st April 2024, and only in respect of statements of accounts which have not already been certified by a local auditor.

Amendments to Section 4.1 of the Code include a temporary relief so that local authorities are not required to report the gross book value and accumulated depreciation for infrastructure assets. This temporary relief is applied from the 2021/22 Code up to and including the Code applicable to the 2024/25 financial year but has also been applied to the Council’s accounts for the 2020/21 financial year, as the auditor’s opinion on those accounts had not been given before the Code update was issued.

Maple Grove Blackburn Limited

During the financial year 2021/22 the Council acquired an interest in Maple Grove Blackburn Limited, a joint venture company with the aim of acquiring and preparing sites in the Borough in order to facilitate the redevelopment of a number of town centre sites for business, leisure and housing and to attract inwards investment to the Borough.

The Mall lease

The sale of The Mall shopping centre in Blackburn to the retail arm of the Adhan Group of companies was completed in June/July 2022. The sale was subject to the Council's consent as freeholder, and transfer of the leases was completed on 9 August 2022.

As described in Note 28, the Council has made prior period adjustments in these accounts to amend the value of the finance lease debtor and corresponding deferred capital receipt reserve to reflect a change in the accounting treatment of the shopping centre leases.

The arrangements for the sale has no bearing on the Council's accounting transactions in relation to income receivable under the terms of those leases.

Blackburn Bus Station legal case

A legal case has been brought against the Council by the administrators of Thomas Barnes and Sons Plc over the premature termination of the contract to build Blackburn Bus Station. The company was engaged to construct the bus station in 2014, but the project was plagued by problems and delays and the contract was terminated early. In November 2015 the company went out of business and the administrators started a case for compensation in the High Court for damages for breach of contract by Blackburn with Darwen Council, and seeking a payment of up to £1.7 million. The court case was heard in July 2022 and on 17 October 2022, the Court handed down its judgement in favour of the Council, dismissing Barnes' claim.

13 PROPERTY, PLANT AND EQUIPMENT

All operational land and buildings are revalued on a five year rolling programme by a professional valuer within the Council's in-house property team, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). All properties within the same category, e.g. industrial estates, are revalued in the same year, which ensures that valuations are consistent across the category.

In order to provide assurance that the value of assets in the Council's Balance Sheet is not materially different from the amount that would be given by a full valuation of all operational land and buildings each year, the Council discusses local market forces with the valuer and commissions additional valuations where appropriate, for example:

- where new construction or significant enhancement of assets has completed during the year;
- where the annual impairment review indicates other changes in valuation due to specific circumstances;
- where individual assets of significant value have not been valued for some time.

In addition, a review of the potential variance in the Balance Sheet values of the remaining operational land and buildings, not subject to revaluation during the financial year, is done. The review combines the use of national indices to model potential valuation movements over the five year valuation period, with an assessment of local market conditions and how that compares with national trends. The result of the assessment did not require a change in the values used within the Council's Balance Sheet.

The basis of valuation is set out in the accounting policies.

Movements in the property, plant and equipment valuations are detailed in the following tables, however, in accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets the tables do not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The movement in the net book value of infrastructure assets is detailed in a separate table.

As a result of previous accounting requirements for infrastructure assets, there are significant information deficits which mean that the gross cost and accumulated depreciation figures held for infrastructure assets may not be materially correct, due to being unable to identify and therefore derecognise components of these assets as they have been replaced. In line with the amendments to the 2003 Regulations, where a component of an infrastructure asset has been replaced, the Council has assumed that the carrying amount of the component to be derecognised is zero (new regulation 30M(3)).

Property, plant and equipment - movements in 2020/21

	Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Cost or valuation						
At 1 April 2020	**230,420**	**29,666**	**7,509**	**15,441**	**23,130**	**306,166**
Additions	175	1,718	0	17	14,028	15,938
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(586)	0	0	72	0	(514)
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(1,538)	0	0	(627)	0	(2,165)
Derecognition / disposals	(1,918)	(11,682)	0	(1)	0	(13,601)
Assets reclassified	11,054	742	0	1,217	(21,821)	(8,808)
Other movements	(108)	0	0	0	0	(108)
At 31 March 2021	**237,499**	**20,444**	**7,509**	**16,119**	**15,337**	**296,908**
Accumulated depreciation						
At 1 April 2020	**(8,222)**	**(18,045)**	**0**	**(1)**	**0**	**(26,268)**
Depreciation charge	(4,289)	(1,071)	0	(46)	0	(5,406)
Depreciation written out to the Revaluation Reserve	2,830	0	0	2	0	2,832
Depreciation written out to the surplus/deficit on the provision of services	2,533	0	0	45	0	2,578
Derecognition / disposals	157	10,164	0	1	0	10,322
Assets reclassified	0	0	0	0	0	0
Other movements	108	0	0	0	0	108
At 31 March 2021	**(6,883)**	**(8,952)**	**0**	**1**	**0**	**(15,834)**
Net book value						
At 1 April 2020	**222,198**	**11,621**	**7,509**	**15,440**	**23,130**	**279,898**
At 31 March 2021	**230,616**	**11,492**	**7,509**	**16,120**	**15,337**	**281,074**

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Property, plant and equipment - comparative movements in 2019/20 (Restated)

	Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets included in property, plant and equipment £000
Cost or valuation							
At 1 April 2019	**248,967**	**30,029**	**7,509**	**11,170**	**12,371**	**310,046**	**23,569**
Additions	2,446	499	0	24	17,982	20,951	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,059	0	0	4,809	0	8,868	0
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(2,484)	0	0	0	0	(2,484)	0
Derecognition / disposals	(24,036)	(922)	0	(569)	0	(25,527)	(20,698)
Assets reclassified	1,468	60	0	7	(6,840)	(5,305)	298
Other movements	0	0	0	0	(383)	(383)	0
At 31 March 2020	**230,420**	**29,666**	**7,509**	**15,441**	**23,130**	**306,166**	**3,169**
Accumulated depreciation							
At 1 April 2019	**(14,202)**	**(17,253)**	**0**	**(1)**	**0**	**(31,456)**	**(4,375)**
Depreciation charge	(4,345)	(1,616)	0	(1)	0	(5,962)	(196)
Depreciation written out to the Revaluation Reserve	6,606	0	0	0	0	6,606	0
Depreciation written out to the surplus/deficit on the provision of services	1,536	0	0	0	0	1,536	0
Derecognition / disposals	1,840	824	0	1	0	2,665	1,402
Assets reclassified	343	0	0	0	0	343	0
At 31 March 2020	**(8,222)**	**(18,045)**	**0**	**(1)**	**0**	**(26,268)**	**(3,169)**
Net book value							
At 1 April 2019	**234,765**	**12,776**	**7,509**	**11,169**	**12,371**	**278,590**	**19,194**
At 31 March 2020	**222,198**	**11,621**	**7,509**	**15,440**	**23,130**	**279,898**	**0**

Infrastructure Assets – movements on balances

2019/20 (Restated) £000		2020/21 £000
134,374	**Net book value at 1 April**	**135,711**
2,027	Additions	2,649
0	Derecognition / disposals	0
4,962	Assets reclassified	8,808
(5,652)	Depreciation charge	(5,905)
135,711	**Net book value at 31 March**	**141,263**

As indicated in the notes immediately following the Balance Sheet (page 34), the balance for Infrastructure Assets at 1 April 2019 has been restated to add one item of street art formerly included within Heritage Assets.

Property, plant and equipment assets as presented on the Council's Balance Sheet are made up of the following balances:

31 March 2020 (Restated) £000		31 March 2021 £000
135,711	Infrastructure assets	141,263
279,898	Other Property, plant and equipment	281,074
415,609	**Total Property, plant and equipment assets**	**422,337**

Property, plant and equipment revaluations

	Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	**0**	**20,444**	**7,509**	**0**	**15,337**	**43,290**
Valued at current value (fair value for surplus assets) at:						
At 31 March 2021	132,196	0	0	16,119	0	148,315
At 31 March 2020	62,240	0	0	0	0	62,240
At 31 March 2019	11,135	0	0	0	0	11,135
At 31 March 2018	18,182	0	0	0	0	18,182
At 31 March 2017	13,330	0	0	0	0	13,330
At 31 March 2016	416	0	0	0	0	416
Total cost or valuation	**237,499**	**20,444**	**7,509**	**16,119**	**15,337**	**296,908**

Revaluation losses / (gains)

For 2020/21, revaluation decreases / (increases) recognised in the surplus or deficit on the provision of services include the following item at or in excess of £1 million.

Property	£000
Reel Cinema Undercroft Car Park	1,708

Surplus Assets – Fair Value Hierarchy

Details of the authority's surplus assets and information about the fair value hierarchy as at 31 March 2021 and 2020 are as follows:

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2021
	£000	£000	£000	£000
Residential land	0	15,294	0	15,294
Office units	0	100	0	100
Retail	0	725	0	725
Total	**0**	**16,119**	**0**	**16,119**

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2020
	£000	£000	£000	£000
Residential land	0	14,606	0	14,606
Office units	0	90	0	90
Retail	0	745	0	745
Total	**0**	**15,441**	**0**	**15,441**

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels 1 and 2 during the year.

Valuation Techniques used to Determine Level 2 Fair Values for Surplus Assets

The fair value for surplus land and property assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

14 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the following table together with the resources that have been used to finance it.

This statement incorporates details of the movements in the capital financing requirement (CFR). This is a measure of the capital expenditure historically incurred by the Council that has yet to be financed. This will be discharged by future charges to revenue.

31 March 2020 £000		31 March 2021 £000
297,594	**Opening capital financing requirement**	**300,743**
	Capital investment	
22,978	Property, plant and equipment	18,587
243	Intangible assets	123
2,905	Revenue expenditure funded from capital under statute	2,338
10	Capital investments / loans	25
26,136	**Total capital investment**	**21,073**
	Sources of finance	
(2,116)	Capital receipts – set aside to reduce net indebtedness	(3,049)
(13,272)	Government grants and other contributions	(14,409)
	Sums set aside from revenue:	
(1,073)	Direct revenue contributions	(129)
(6,526)	Minimum revenue provision (MRP) for debt repayment	(5,688)
300,743	**Closing capital financing requirement**	**298,541**
	Explanation of movement in year	
3,149	Increase / (reduction) in underlying need to borrow (unsupported by Government financial assistance)	(2,202)
3,149	**Total movement**	**(2,202)**

Capital Commitments

At 31 March 2021 the Council had not yet entered into any significant contracts for the construction or enhancement of property, plant and equipment in 2021/22 or future years. The Council had, however, issued Compulsory Purchase Orders (CPOs) in relation to a number of empty properties for which claims for compensation are either being processed or expected.

15 SCHOOLS ASSETS

The accounting treatment of land and buildings in relation to schools is based on the legal framework underlying each type of school. As the Council controls the management and running of community and foundation schools, the land and buildings of those schools are included within property, plant and equipment on the Council's Balance Sheet. Whereas, the land and buildings of voluntary aided, voluntary controlled, academy and free schools are owned and controlled by the trustees of the schools or the equivalent body and are, therefore, not shown on the Council's Balance Sheet.

Schools on the Council's Balance Sheet

31 March 2020			31 March 2021	
Number of Schools	**Value of Land and Buildings £000**		**Number of Schools**	**Value of Land and Buildings £000**
20	67,944	Community schools	20	62,307
1	2,230	Foundation schools	1	2,267
1	4,003	Pupil referral units (PRU)	1	3,812
22	**74,177**	**Total**	**22**	**68,386**

Schools off the Council's Balance Sheet

2019/20 £000		2020/21 £000
16	Academy	16
5	Free	5
25	Voluntary aided	25
4	Voluntary controlled	4
50	**Total**	**50**

There have been no academy conversions during the financial year 2020/21. During 2019/20 the last two PFI schools (Blackburn Central High School and Crosshill Special School) converted to academy status.

The Building Schools for Future programme included the construction and operation of four schools under PFI contracts. Initially, the assets for all four community and foundation schools subject to PFI contracts were shown on the Council's Balance Sheet together with the related liability. Subsequently all four of the schools, Pleckgate, Witton Park and Blackburn Central High Schools, and Crosshill Special School, have converted to academy status. The assets relating to these four schools have been removed from the Council's Balance Sheet however the PFI liabilities for all PFI schools remain on as the Council is the party to the contract with the PFI operator.

The Council receives grant funding from Central Government to cover the capital cost of the PFI liability. There is a formal agreement with the Academy Trust to cover the shortfall between the full liability and the grant, therefore, there is no change in the nature of the existing liability and hence no adjustments were made in the current financial year. Should there be changes in Government policy or the status or viability of the Academies in the future that impact on how the existing guarantees operate, the accounting policy will be reviewed and amended if necessary. Based on current information and projections of pupil numbers no changes are likely over the short to medium term.

16 HERITAGE ASSETS

Heritage assets are non-current assets held principally for their contribution to knowledge and culture. In particular such assets increase the understanding and appreciation of the Council's history and that of the local area.

There has been a change in the accounting policy for Heritage Assets, which has been applied retrospectively i.e. "as if that policy had always been applied". As a result, the accounts have been restated to clear the effects of the previous accounting policy, and balances and comparative transactions have been recalculated as at the beginning and end of the prior year i.e. 1 April 2019 and 31 March 2020.

Previously, the Balance Sheet recognised only individual items valued at £25,000 or more. The revised accounting policy recognises one amount for all Heritage Assets based on the current insurance valuation as quoted in the Council's "All risks" policy for the twelve month period commencing the 1 April immediately after the balance sheet date.

In addition, an item of street art previously reported within Heritage Assets has been reclassified as Public Realm within Infrastructure.

Movements in Heritage Assets during 2019/20 and 2020/21 are detailed in the following table:

2019/20 (Restated) £000		2020/21 £000
32,672	**Balance at 1 April**	**35,616**
2,944	Net gains/(losses) from valuation movements	1,473
35,616	**Balance at 31 March**	**37,089**

17 INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement:

2019/20 £000		2020/21 £000
(6)	Rental income from investment property	(6)
7	Changes in the fair value of investment property	1
1	**Net (gain)/loss**	**(5)**

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

2019/20 £000		2020/21 £000
57	**Balance at 1 April**	**50**
(7)	Net gains/(losses) from fair value adjustments	(1)
0	Transfer (to)/from Property, Plant & Equipment	0
50	**Balance at 31 March**	**49**

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

The fair value of investment property has been measured using a market approach, which takes into account existing lease terms and rentals, research into market evidence including market rentals and yields, and data and market knowledge gained in managing the Council's property portfolio. Market conditions are such that the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy. See Accounting Policies – Fair Value Measurement for further details of the fair value hierarchy.

18 INTANGIBLE ASSETS

The only type of asset that is accounted for as intangible is IT software. Where the software is an integral part of a particular piece of hardware, the two items are treated as one property, plant and equipment asset.

The movement on intangible asset balances during the year is as follows:

2019/20 £000		2020/21 £000
	Gross carrying amount	
3,438	Balance at 1 April	3,075
243	Purchases	123
0	Assets reclassified from assets under construction	0
(606)	Disposals	(96)
3,075	**Balance at 31 March**	**3,102**
	Accumulated amortisation	
(1,876)	Balance at 1 April	(1,863)
(513)	Amortisation	(409)
526	Disposals	96
0	Other movements in amortisation	0
(1,863)	**Balance at 31 March**	**(2,176)**
	Net carrying amount	
1,562	Balance at 1 April	1,212
1,212	**Balance at 31 March**	**926**

19 LONG TERM INVESTMENTS

31 March 2020 £000		31 March 2021 £000
702	Blackburn with Darwen and Bolton Local Education Partnership	0
500	Joint Venture Development Company (Barnfield Blackburn Limited)	525
50	Local Capital Finance Company Limited	50
1,252	**Total**	**575**

20 LONG TERM DEBTORS

1 April 2019 (Restated) £000	31 March 2020 (Restated) £000		31 March 2021 £000
0	0	Shopping centre lease	0
957	972	Nursing/residential property charges	1,010
363	380	Loan to Lancashire County Developments Limited	398
10	0	Car loans to Council employees	0
5	4	Cycle scheme loans to Council employees	19
10	19	Property Refurbishment loans	19
1	4	Other loans	5
1,346	**1,379**	**Total**	**1,451**

The comparative figures at 1 April 2019 and 31 March 2020 have been restated as part of the amendments to the shopping centre Finance Lease. For more information please see Note 28.

21 SHORT TERM DEBTORS

31 March 2020 £000		31 March 2021 £000
	Debtors classed as Financial Instruments	
12,256	Trade receivables	12,780
(3,622)	Impairment allowance	(5,008)
8,634		**7,772**
	Debtors not classed as Financial Instruments	
11,890	Council tax	11,702
2,424	Non-domestic rates	1,526
1,855	Payments in advance	3,050
9,962	Other receivables	22,578
	Impairment allowance:	
(9,441)	Council tax	(9,475)
(1,606)	Non-domestic rates	(1,211)
(2,640)	Overpaid housing benefit	(2,530)
21,078	**Total**	**33,412**

The increase in the balance of *"Other receivables"* in the table above is largely due to the impact of measures to mitigate some of the financial losses incurred as a result of the Covid-19 pandemic. Extended business rates reliefs to help retail, leisure, hospitality, and nursery businesses, have resulted in a significant reduction in business rates income due to the Council. This in turn has resulted in a larger than usual deficit on the Business Rates Collection Fund, and a significant swing in the Collection Fund accounting adjustments required to eliminate central and preceptor shares of business rates balances from the Council's Comprehensive Income and Expenditure Statement and Balance Sheet (see Note 29 - Collection Fund Adjustment Account).

22 CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

31 March 2020 £000		31 March 2021 £000
35	Cash held by the Council	31
7,530	Bank current accounts	6,958
19,534	Short term deposits with banks and building societies	25,178
27,099	**Total**	**32,167**
(1,899)	Bank overdraft	(7,656)
25,200	**Total**	**24,511**

23 SHORT TERM CREDITORS

31 March 2020 £000		31 March 2021 £000
	Creditors classed as Financial Instruments	
(18,049)	Trade payables	(17,118)
(1,811)	Other payables – PFI arrangement	(1,859)
(19,860)		**(18,977)**
	Creditors not classed as Financial Instruments	
(1,231)	Council tax	(1,640)
(300)	Non-domestic rates	(187)
(6,354)	Receipts in advance	(1,472)
(6,468)	Other payables	(25,855)
(34, 213)	**Total**	**(48,131)**

As for short term debtors, the increase in the balance of “Other payables” in the table above is largely due to the impact of extended business rates reliefs to help retail, leisure, hospitality, and nursery businesses through the pandemic. The resulting reduction in business rates income due to the Council was compensated fully by Government reimbursement using a grant under section 31 of the Local Government Act 2003. The Council’s share of this compensation has been credited to an earmarked reserve to be carried forward to offset the larger than usual deficit on the Business Rates Collection Fund which impacts on the 2021/22 budget. The balance, which is due to be repaid to central government, is included within “Other payables”.

24 PROVISIONS

	Non-domestic Rates Appeals £000	Insurance Claims £000	Municipal Mutual Insurance Limited (MMI) £000	Total £000
Balance at 31 March 2020	**(1,600)**	**(627)**	**(320)**	**(2,547)**
Additional provisions made	(1,746)	(416)	0	(2,162)
Amounts used	1,176	125	0	1,301
Unused amounts reversed	0	0	0	0
Other adjustment	533	0	0	533
Balance at 31 March 2021	**(1,637)**	**(918)**	**(320)**	**(2,875)**

Further details of the individual provisions are shown below.

Provision	
Non-domestic rates appeals	The Council, as Billing Authority for the Blackburn with Darwen area, is required to make provisions for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. The total provision is calculated by the Billing Authority on behalf of the major preceptors (Lancashire Combined Fire Authority, Central Government and the Council). The amount appearing in the Balance Sheet has been adjusted to include only the Council's share of the provision. A further adjustment reflects the impact of a change in the Council's share back to 49% from 73.5%. This increase in the Council's share of retained business rates was for the year 2019/20 only, due to it joining with 13 of the other 14 councils across Lancashire to form a 75% Business Rates Retention (BRR) Pool Pilot.
insurance claims	Funds are set aside to cover liability claims in respect of highways third party liability, vehicle insurance, employer's liability, public liability and buildings insurance claims which are below the insurance excess and self-insured limit.
Municipal Mutual Insurance Limited (MMI)	Provision in respect of MMI for costs due to be paid under the Scheme of Arrangement for managing the outstanding liabilities resulting from claims being made.

25 FINANCIAL INSTRUMENTS

A financial instrument is a contract which gives rise to a financial asset of one entity and a financial liability or entity instrument of another entity. Non-exchange transactions such as those relating to taxes and government grants do not give rise to financial instruments.

Financial assets - balances

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

Amortised cost, comprising:

- Investments, including loans to banks, building societies and other local authorities
- cash in hand and bank current and deposit accounts
- trade receivables for goods and services provided (including leases)

Fair value through profit and loss (FVPL), comprising:

- investments in Money Market Funds, which are shown at fair value as investments with a quoted market price

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

31 March 2020 (Restated) £000				31 March 2021 £000		
Long term	Short term	Total	Category	Long term	Short term	Total
1,252	38,000	**39,252**	Investments - principal	575	34,000	**34,575**
0	45	**45**	Accrued interest on the above	0	18	**18**
1,252	**38,045**	**39,297**	**Total investments**	**575**	**34,018**	**34,593**
0	13,143	**13,143**	Cash and cash equivalents - principal	0	11,767	**11,767**
0	0	**0**	Accrued interest on the above	0	0	**0**
0	13,950	**13,950**	Cash and cash equivalents at fair value through profit and loss (FVPL)	0	20,400	**20,400**
0	6	**6**	Accrued interest on the above	0	0	**0**
0	**27,099**	**27,099**	**Total cash and cash equivalents**	**0**	**32,167**	**32,167**
0	0	**0**	Shopping centre lease long term debtor	0	0	**0**
1,379	12,256	**13,635**	Other trade receivables	1,451	12,780	**14,231**
0	(3,622)	**(3,622)**	Loss allowance against trade receivables	0	(5,008)	**(5,008)**
1,379	**8,634**	**10,013**	**Total trade receivables**	**1,451**	**7,772**	**9,223**
2,631	**73,778**	**76,409**	**Total financial assets**	**2,026**	**73,957**	**75,983**

The comparative figures at 1 April 2019 and 31 March 2020 have been restated as part of the amendments to the shopping centre Finance Lease. For more information please see Note 28. Details for 1 April 2019 are included below:

1 April 2019 (Restated) £000			
Long term	Short term	Total	Category
1,262	6,000	**7,262**	Investments - principal
0	163	**163**	Accrued interest on the above
1,262	**6,163**	**7,425**	**Total investments**
0	12,533	**12,533**	Cash and cash equivalents - principal
0	2	**2**	Accrued interest on the above
0	12,950	**12,950**	Cash and cash equivalents at fair value through profit and loss (FVPL)
0	8	**8**	Accrued interest on the above
0	**25,493**	**25,493**	**Total cash and cash equivalents**
0	0	**0**	Shopping centre lease long term debtor
1,346	10,526	**11,872**	Other trade receivables
0	(2,602)	**(2,602)**	Loss allowance against trade receivables
1,346	**7,924**	**9,270**	**Total trade receivables**
2,608	**39,580**	**42,188**	**Total financial assets**

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

All of the Council's financial liabilities held during the year are measured at amortised cost, and comprise:

- long-term loans from the Public Works Loan Board (PWLB)
- short-term loans from other local authorities
- bank overdraft
- lease payables, detailed in Note 28
- Private Finance Initiative (PFI) contracts, detailed in Note 27
- trade payables for goods and services received

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

31 March 2020 (Restated) £000				31 March 2021 £000		
Long term	**Short term**	**Total**	**Category**	**Long term**	**Short term**	**Total**
(145,670)	(88,245)	**(233,915)**	Principal sum borrowed	(141,779)	(82,153)	**(223,932)**
0	(601)	**(601)**	Accrued interest	0	(354)	**(354)**
(378)	0	**(378)**	Effective interest rate (EIR) adjustments **	(369)	0	**(369)**
(146,048)	**(88,846)**	**(234,894)**	**Total borrowing**	**(142,148)**	**(82,507)**	**(224,655)**
0	(1,899)	**(1,899)**	Bank overdraft	0	(7,656)	**(7,656)**
(61,603)	(1,811)	**(63,414)**	PFI arrangements	(59,744)	(1,859)	**(61,603)**
0	(18,049)	**(18,049)**	Trade payables	0	(17,118)	**(17,118)**
(207,651)	**(110,605)**	**(318,256)**	**Total financial liabilities**	**(201,892)**	**(109,140)**	**(311,032)**
** EIR adjustments to market loans with "stepped" interest rates, to average out their cost over the life of the loans. The adjustments made to the carrying values each year impact on the Financial Instruments Adjustments Account (Note 29)						

The Council's borrowing includes a number of "Lender's Option, Borrower's Option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council would then have the option to accept the new rate or repay the loan without penalty. In previous financial years, the Council classified two of these LOBO loans as short-term, assuming that these options will be taken up at the first call option date. After discussion with the external audit team it has been agreed that the most likely scenario is that these options will not be taken up and that the loans will not be repaid until their final maturity date. As a result, the classification of those two LOBO loans has been changed from short-term borrowing to long-term borrowing and the comparative analysis for the opening and closing balances for 2019/20 has been restated to reflect this change. Details for 1 April 2019 are included below:

1 April 2019 (Restated) £000			
Long term	**Short term**	**Total**	**Category**
(149,903)	(47,361)	**(197,264)**	Principal sum borrowed
0	(2,720)	**(2,720)**	Accrued interest
(387)	0	**(387)**	Effective interest rate (EIR) adjustments **
(150,290)	**(50,081)**	**(200,371)**	**Total borrowing**
0	(616)	**(616)**	Bank overdraft
(63,414)	(1,717)	**(65,131)**	PFI arrangements
0	(18,829)	**(18,829)**	Trade payables
(213,704)	**(71,243)**	**(284,947)**	**Total financial liabilities**

Financial instruments - gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

2019/20					2020/21			
Financial Liabilities at amortised cost £000	**Financial Assets at amortised cost (Restated) £000**	**Financial Assets at fair value through profit & loss £000**	**Total (Restated) £000**		**Financial Liabilities at amortised cost £000**	**Financial Assets at amortised cost £000**	**Financial Assets at fair value through profit & loss £000**	**Total £000**
6,057	0	0	6,057	Interest on PFI payments	5,909	0	0	5,909
6,411	0	0	6,411	Interest on loans	6,569	0	0	6,569
12,468	**0**	**0**	**12,468**	**Total expense**	**12,478**	**0**	**0**	**12,478**
0	0	0	**0**	Shopping centre lease interest	0	0	0	**0**
0	(140)	(92)	**(232)**	Other interest	0	(50)	(22)	**(72)**
0	(1,015)	0	**(1,015)**	Dividend income	0	0	0	**0**
0	0	0	**0**	Gain on sale of investment	0	(379)	0	**(379)**
0	**(1,155)**	**(92)**	**(1,247)**	**Total income**	**0**	**(429)**	**(22)**	**(451)**
12,468	**(1,155)**	**(92)**	**11,221**	**Net impact on surplus / deficit on provision of services**	**12,478**	**(429)**	**(22)**	**12,027**

The comparative figures at 1 April 2019 and 31 March 2020 have been restated as part of the amendments to the shopping centre Finance Lease. For more information please see Note 28.

Fair value of financial instruments

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For Money Market Fund holdings, included in financial assets, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at of the instrument at 31 March 2021, using the following methods and assumptions:

- Loans taken by the Council, including PWLB loans, have been valued at market rates reflecting local authority credit-worthiness.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a standard commercial model. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of PFI scheme liabilities were prepared by discounting the contractual cash flows (excluding service charges) at the appropriate AA corporate bond yield.
- The fair values of other long-term loans and investments were estimated using market rates for similar instruments with similar remaining terms to maturity.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.
- No early repayment or impairment is recognised for any financial instrument.

Fair values are shown in the table below, split by their level in the **fair value hierarchy**:

- **Level 1** – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.
- **Level 2** – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- **Level 3** – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated credit worthiness

Fair values were prepared by the Council's treasury advisors. Where no fair values are shown, any differences were immaterial.

31 March 2020 £000			Fair value level		31 March 2021 £000		
Carrying Value (Restated) £000	Fair Value (Restated) £000	Difference (Restated) £000		Financial Assets	Carrying Value £000	Fair Value £000	Difference £000
0	0	**0**		Shopping centre lease long term debtor	0	0	**0**
(131,652)	(170,694)	**(39,042)**	2	PWLB loans	(127,432)	(167,840)	**(40,408)**
(18,613)	(27,905)	**(9,292)**	2	Market loans (some with call options)	(18,600)	(28,036)	**(9,436)**
(265)	(265)	**0**	2	Other stock	(270)	(270)	**0**
(84,126)	(84,128)	**(2)**	2	Short term borrowing	(78,353)	(78,440)	**(87)**
(234,656)	**(282,992)**	**(48,336)**		**Total Borrowing**	**(224,655)**	**(274,586)**	**(49,931)**
(63,414)	(101,844)	**(38,430)**	2	PFI liabilities	(61,603)	(104,748)	**(43,145)**

The overall fair value of the Council's financial liabilities is higher than the carrying amount because, predominantly, the interest rates payable on them are higher than the rates that were available for comparable debt at the balance sheet date. This increases the amount that the Council would have to pay to settle the liabilities early.

Risks arising from financial instruments

The Council's activities expose it to a variety of financial risks, and these are recognised in the Risk Register. Treasury risks are additionally monitored by Audit and Governance Committee and by a central Treasury Management Group, working within a framework set for each year by the Treasury Management Strategy. Treasury Management Practices specify practical operational arrangements.

The main risks are:

- Credit risk – other parties may fail to pay amounts due to the Council
- Liquidity risk – the Council may not have funds available to make payments on time
- Market risk – financial loss may arise as a result of changes in financial markets, e.g. movements in interest rates

Credit risk

Investments

The Council has not suffered any loss due to default by financial institutions, and has controls in place to minimise the risk of default.

Limits are set as to the duration of loans and amounts invested, based on independently monitored credit ratings for financial institutions. This lending list is reviewed frequently in line with the latest information from the Council's treasury advisors. The categories of investment made and key limits applied to them were:

- high rated money market funds – instant access (upper limit £5 million per fund)
- credit rated banks and building societies – limits ranging from minimum rating A- (limits £3 million and 4 months) to minimum rating AA (limits £5 million and 9 months)
- the Council's current bank (minimum BBB) or unrated building societies (maximum £1 million and 4 months), both subject to additional credit-worthiness assessments
- deposits with other local authorities (limits £5 million and 364 days)
- deposits with the Government's Debt Management Office (no limit)

Limits were also applied to investments in foreign-domiciled banks, and to overall balances in the building society sector. Separate criteria applied to longer term investments (over one year), but no long term investments were made during the year.

At the end of the year the Council's investments portfolio was placed as follows:

31 March 2020 £000	Investment Portfolio	31 March 2021 £000
	Short term investments	
0	Debt Management Office	0
38,000	Other local authorities	34,000
0	A rated banks/building societies	0
0	Low rated building societies	0
38,000	**Total short term investments**	**34,000**
	Short term deposits with banks and building societies	
13,950	AAA rated Money Market Funds	20,400
0	AA- rated bank	0
3,001	A+ rated bank	3,000
0	A rated bank	0
2,502	Council's current account	1,233
19,453	**Total short term deposits**	**24,633**

The Council's maximum exposure to credit risk in relation to its investments cannot be assessed in a general way because the risk of any institution failing to repay funds owed will be specific for individual institutions. Recent experience shows that it is rare for such entities to fail to meet their commitments. There is a risk of non-recovery for all of the Council's deposits, but no evidence that this risk is likely to be realised, therefore, no separate provision for loss has been made in the accounts.

The Council has continued to limit the amount of borrowing undertaken, thereby reducing the potential credit risk arising from placing deposits.

Trade receivables

Credit risk for trade receivables is managed in various ways. Risk on lease income is mitigated by legal ownership of the assets leased, with the option to repossess in the event of debtor default. Arrears are managed by encouraging payment by direct debit and taking recovery action in respect of arrears that do arise. The Council nonetheless recognises the risk of exposure to non-payment and makes provision accordingly, as shown in the following table:

31 March 2020 £000			31 March 2021 £000	
Value of debt	**Provision**		**Value of debt**	**Provision**
12,256	(3,662)	Trade receivables	12,780	(5,008)

Included in the previous table were debts past their due date for payment, broken down by age as follows:

31 March 2020 £000	Aged of Debt	31 March 2021 £000
7,228	Less than 3 months	6,642
1,195	3 – 12 months	1,459
1,300	1 to 2 years	1,452
2,533	Over 2 years	3,227
12,256	**Total**	**12,780**

Liquidity risk

The Council's day to day cash flows are monitored closely and projections continually updated. The Council's Investment Strategy, whilst prioritising the security of investments and seeking to optimise net interest earned, also ensures that sufficient funds are maintained on call or for short durations to allow payments to be made when necessary. The good standing of all local authorities as credit risks and the prudent management of the Council's budget as a whole ensures that the Council is in a position to borrow short term to meet day to day expenses when and if necessary.

The Council has ready access to borrowing from the PWLB and other local authorities. As a result there is no significant risk that the Council will be unable to raise funds to meet its long term financial commitments. The main longer term risk is that the Council may find itself having to replenish a significant part of its borrowings at a time of unfavourable interest rates. This risk is managed by maintaining a spread of fixed rate loans and limiting the amount of debt maturing in any one year.

The maturity analysis of principal sums borrowed is as follows:

1 April 2019 (Restated) £000	31 March 2020 (Restated) £000		31 March 2021 £000
(50,081)	(88,846)	Under 1 year	(82,507)
(50,081)	**(88,846)**	**Total short term borrowing**	**(82,507)**
(4,234)	(3,890)	Maturing in 1 to 2 years	(3,547)
(10,804)	(17,098)	Maturing in 3 to 5 years	(21,734)
(37,264)	(33,952)	Maturing in 6 to 10 years	(27,431)
(97,988)	(91,108)	Maturing in more than 10 years	(89,436)
(150,290)	**(146,048)**	**Total long term borrowing**	**(142,148)**
(200,371)	**(234,894)**	**Total borrowing**	**(224,655)**

The Council has £13 million of "Lender's Option, Borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council would then have the option to accept the new rate or repay the loan without penalty. It is likely that these options will not be taken up, therefore, the above table assumes they will not be repaid until their final maturity dates. In prior years' accounts the table assumed that two of the four LOBO loans may be taken at the first call option date, which presented them as maturing under 1 year i.e. within short-term borrowing rather than long-term borrowing (where they are shown currently).

Market risk

The main market risk facing the Council is of adverse movement in interest rates. The Council has a number of strategies to manage interest rate risk, including limiting the total level of net borrowing (borrowing less investment) at variable rates and setting an upper limit for net borrowing at fixed interest rates. The Council also employs treasury advisors to assist with taking investment and borrowing decisions including on such matters as options for debt restructuring (repaying debt early and taking out replacement debt on current terms). The impact of potential changes in interest rates is considered in the setting of the annual budget and is monitored across the year to allow any adverse movements to be accommodated.

The potential impact of any changes in interest rates on the Council is complex. For example, an increase in interest rates would have the following effects:

- Borrowing at variable rates – higher interest costs charged
- Borrowing at fixed rates – the fair value of borrowing liabilities would fall
- Investment at variable rates – higher interest earned
- Investment at fixed rates – the fair value of investment assets would fall

If interest rates had been 1% higher with all other variables held constant the financial effect would have been:

2019/20 £000		2020/21 £000
(285)	Interest gained on investments	(578)
424	Increased cost of borrowing	814
139	**Impact on Comprehensive Income and Expenditure Statement**	**(236)**

A 1% change in interest rates would also impact on the fair value of fixed rate investments and borrowings, which can be considered by varying the discount rates used in their estimation. In the case of the fair values of investments this would remain relatively immaterial. It would be more significant for the fair value of borrowings where a 1% increase in rates would decrease the fair value by over £33.5 million. A decrease in rates would correspondingly increase the fair value of borrowings. This would not impact on either surplus or deficit on the provision of services or the Movement in Reserves Statement.

26 OTHER LONG TERM LIABILITIES

31 March 2020 £000		31 March 2021 £000
(253,074)	Pension scheme liability *	(325,184)
(14,148)	Council's share of debt administered by Lancashire County Council under local Government reorganisation regulations	(13,583)
(61,603)	Building schools for the future PFI liability	(59,744)
(328,825)	**Total**	**(398,511)**

* The pension fund liability included above has been reduced from the actuarial estimate of £351.693 million to £325.184 million to reflect a £26.509 million advance payment in respect of the Council's pension deficit share. Further details on post-employment benefits are provided in Note 30.

27 PRIVATE FINANCE INITIATIVE (PFI)

The Building Schools for the Future programme included the construction and operation of four schools, across three sites, funded by way of two PFI contracts:

- Phase 1 – Pleckgate High School
- Phase 2 - Witton Park High School and Blackburn Central High School with Crosshill

Each PFI contract is for a period of 25 years with the end dates being Aug 2036 for Phase 1 and Aug 2037 for Phase 2.

All four of those schools have subsequently converted to academy status, and the assets are no longer recognised in the Council's Balance Sheet, although the PFI liability continues to be reported as the obligation to pay remains with the Council.

The Council makes an agreed annual payment which is increased by inflation each year. Payments remaining to be made under the PFI contract at 31 March 2021 are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Phase 1 - Pleckgate school				
Payment in 2021/22	(930)	(676)	(2,398)	(4,004)
Payment within 2 to 5 years	(3,267)	(3,959)	(8,789)	(16,015)
Payment within 6 to 10 years	(4,949)	(6,598)	(8,472)	(20,019)
Payment within 11 to 15 years	(5,220)	(10,332)	(4,467)	(20,019)
Payment within 16 to 20 years	(250)	(1,132)	(290)	(1,672)
Total Phase 1	**(14,616)**	**(22,697)**	**(24,416)**	**(61,729)**
Phase 2 - Witton Park / Blackburn Central with Crosshill schools				
Payment in 2021/22	(1,738)	(1,183)	(3,110)	(6,031)
Payment within 2 to 5 years	(6,023)	(6,686)	(11,414)	(24,123)
Payment within 6 to 10 years	(8,231)	(10,955)	(10,969)	(30,155)
Payment within 11 to 15 years	(9,220)	(14,694)	(6,241)	(30,155)
Payment within 16 to 20 years	(2,365)	(5,388)	(862)	(8,615)
Total Phase 2	**(27,577)**	**(38,906)**	**(32,596)**	**(99,079)**
Total	**(42,193)**	**(61,603)**	**(57,012)**	**(160,808)**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred, and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the contractor for capital expenditure incurred is as follows:

	Phase 1 £000	Phase 2 £000	Total
Balance outstanding at 31 March 2020	**(23,314)**	**(40,100)**	**(63,414)**
Payments during the year	617	1,194	1,811
Balance outstanding at 31 March 2021	**(22,697)**	**(38,906)**	**(61,603)**

28 LEASES

Council as Lessee

Operating Leases

The Council has entered into a number of operating leases in respect of land and buildings, vehicles, plant and equipment.

The future minimum lease payments due to non-cancellable leases in future years are:

31 March 2020 £000		31 March 2021 £000
1,862	Not later than one year	1,838
5,743	Later than one year and not later than 5 years	6,096
22,122	Later than 5 years	20,844
29,727	**Total**	**28,778**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

31 March 2020 £000		31 March 2021 £000
1,874	Minimum lease payments	2,220
172	Contingent rents	289
2,046	**Total**	**2,509**

Council as Lessor

Finance Leases

The Council leases out land and buildings in respect of the shopping centre under a finance lease with a remaining term of 122 years.

All income due under the terms of this lease varies each year dependent on factors other than the passage of time. This income is therefore classed as contingent rentals in accordance with IAS 17 and is recognised in the Income and Expenditure statement as it arises.

In 2020/21, total income generated from the lease was £552,000 (2019/20 £941,000).

As all rental payments are contingent on factors other than the passage of time, the minimum lease payments due under this lease are £nil, and as such the value of the finance lease debtor in respect of this lease is also £nil.

Prior Period Adjustment

During the 2020/21 audit, the Council has discovered that its assessment of the value of the finance lease debtor and corresponding deferred capital receipt reserve in respect of the lease of the shopping centre was incorrect.

On transition to IFRS the Council had recognised a finance lease debtor, and corresponding deferred capital receipt, equal to the present value of the forecasted rental amounts to be received under this lease.

This assessment has been reviewed, and it has become apparent that all of the rental payments due under this lease are dependent on factors other than the passage of time, and therefore these payments should have been classified as contingent rentals.

As contingent rentals, these payments do not make up the minimum lease payments for this lease, and therefore should not have been included in the calculation of the finance lease debtor for this lease. Instead these payments should be recognised in the Comprehensive Income and Expenditure Statement in the year in which they are received.

Therefore, in accordance with IAS 17, the minimum lease payments for this lease are £nil, and as such the net investment and therefore the finance lease debtor are also £nil. The Council has made prior period adjustments in these accounts to amend the value of the finance lease debtor and corresponding deferred capital receipt reserve to reflect this.

Adjustments made to the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and Balance Sheet have been detailed under the relevant statement.

Operating Leases

The Council leases out commercial properties under operating leases, including shops, industrial units, market stalls and agricultural tenancies. This activity supports the provision of local services and economic development in the Borough including the provision of affordable accommodation for businesses.

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

31 March 2020 £000		31 March 2021 £000
(2,241)	Not later than one year	(2,275)
(6,568)	Later than one year and not later than 5 years	(7,203)
(60,962)	Later than 5 years	(62,505)
(69,771)	**Total**	**(71,983)**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2020/21, total income generated from leases was £3,550,000 of which £1,032,000 contingent rents were receivable by the Council (£2,841,000 and £1,816,000 respectively in 2019/20).

29 RESERVES

Usable reserves

The Council sets aside specific amounts as reserves for future policy purposes (earmarked reserves) or to cover contingencies (unallocated balances). Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no charge against council tax for the expenditure. This note sets out the amounts set aside from the General Fund in its usable reserves to provide financing for future spending plans and the amounts posted back from usable reserves to meet general fund expenditure in 2019/20 and 2020/21.

The Council has seen a significant increase in the level of reserves held at 31st March 2021, largely in its earmarked reserves held for specific purposes. This includes specific Covid-related funding received from central government which is to be utilised over the 2 year period through to March 2022. A significant amount of this funding for business rates support and the Council's ongoing response to and recovery from the impacts of the Covid-19 pandemic, has already been committed in the first quarter of 2021/22. This position is similar to many other local authorities.

In addition, reserves were increased by an overall underspend across Council services, due in part to: reduced demand for some services during the year, service closures with staff redeployed to support Covid-response efforts, accounting for funding received in response to the pandemic, offset by significant loss of income from fees and charges. However, we expect demand for many services to increase during 2021/22, although income from fees and charges is not expected to recover fully for some time, likely leading to a call on reserves and the funding carried forward as at 31st March 2021.

	Balance at 31 March 2019 £000	Transfers out 2019/20 £000	Transfers in 2019/20 £000	Balance at 31 March 2020 £000	Transfers out 2020/21 £000	Transfers in 2020/21 £000	Balance at 31 March 2021 £000
Earmarked reserves							
Reserves held for discretionary use by the Council							
Welfare, council tax and business rate reforms	**(178)**	15	0	**(163)**	35	(795)	**(923)**
Compensation for lost Council Tax and Business Rates income	**0**	0	0	**0**	8,670	(17,778)	**(9,108)**
Investments in assets and infrastructure	**(1,113)**	108	(71)	**(1,076)**	33	(500)	**(1,543)**
Other resources and transformation projects	**(331)**	0	(210)	**(541)**	166	0	**(375)**
Support for people services	**(4,466)**	2,320	(1,193)	**(3,339)**	331	(1,476)	**(4,484)**
Town centre, special events and economic development	**(619)**	50	0	**(569)**	149	(500)	**(920)**
Contingent sums to support future downsizing and transformation (including redundancy and pension strain costs)	**(2,880)**	276	0	**(2,604)**	294	(12,000)	**(14,310)**
Amounts carried forward in respect of unspent grants and contributions	**(2,253)**	1,739	(7,451)	**(7,965)**	13,742	(17,334)	**(11,557)**
Other amounts committed in future years budgets	**(287)**	109	(167)	**(345)**	232	(313)	**(426)**
Reserves held for specified purposes	**(2,336)**	1,395	(1,608)	**(2,549)**	274	(1,744)	**(4,019)**
Total earmarked reserves for discretionary purposes	**(14,463)**	**6,012**	**(10,700)**	**(19,151)**	**23,926**	**(52,440)**	**(47,665)**
Details of other earmarked reserves							
Reserves held in respect of joint arrangements and charitable bodies	**(416)**	58	(7)	**(365)**	31	(84)	**(418)**
Reserves held in relation to schools	**(6,993)**	2,293	860	**(3,840)**	241	0	**(3,599)**
LMS schools balances	**(5,151)**	736	(860)	**(5,275)**	0	(3,786)	**(9,061)**
Total of non-discretionary reserves	**(12,560)**	**3,087**	**(7)**	**(9,480)**	**272**	**(3,870)**	**(13,078)**
Total earmarked reserves	**(27,023)**	**9,099**	**(10,707)**	**(28,631)**	**24,198**	**(56,310)**	**(60,743)**
Unallocated reserves	**(5,903)**	**4,759**	**(6,029)**	**(7,173)**	**1,366**	**(2,566)**	**(8,373)**
Capital receipts reserve	**(250)**	**2,116**	**(1,866)**	**0**	**3,049**	**(3,049)**	**0**
Capital grants unapplied	**(6,929)**	**13,272**	**(12,186)**	**(5,843)**	**14,409**	**(21,256)**	**(12,690)**
Total Council Usable Reserves	**(40,105)**	**29,246**	**(30,788)**	**(41,647)**	**43,022**	**(83,181)**	**(81,806)**

Unusable reserves

Certain reserves are kept to manage the accounting processes for non-current assets, for example the Revaluation Reserve and the Capital Adjustment Account. These and other reserves in relation to financial instruments, retirement and employment benefits do not represent usable resources for the Council.

1 April 2019 (Restated) £000	31 March 2020 (Restated) £000		31 March 2021 £000
(97,542)	(113,802)	Revaluation Reserve	(115,795)
(53,389)	(39,212)	Capital Adjustment Account	(46,658)
1,868	1,810	Financial Instruments Adjustment Account	1,750
0	0	Deferred Capital Receipts Reserve	0
269,165	253,074	Pensions Reserve	351,693
(1,414)	(2,048)	Collection Fund Adjustment Account	10,023
2,851	2,703	Accumulated Absences Adjustment Account	3,423
121,539	**102,525**	**Total**	**204,436**

The comparative figures at 1 April 2019 and 31 March 2020 have been restated as part of the amendments to the shopping centre Finance Lease. For more information please see Note 28.

Revaluation Reserve

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

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

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

2019/20 (Restated) £000		2020/21 £000
(97,542)	**Balance at 1 April**	**(113,802)**
(21,114)	Upward revaluation of assets	(8,506)
2,696	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	4,715
(18,418)	**(Surplus) or deficit on the revaluation of non-current assets not posted to the surplus or deficit on the provision of services**	**(3,791)**
911	Difference between fair value depreciation and historical cost depreciation	1,176
1,247	Accumulated gains on assets sold or scrapped	622
2,158	**Amount written off to the capital adjustment account**	**1,798**
(113,802)	**Balance at 31 March**	**(115,795)**

In the table above, the balance at 1 April 2019 and the 2019/20 figure for *Upward revaluation of assets* have both been restated to reflect the change in accounting policy for the valuation of Heritage Assets.

Capital Adjustment Account

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

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

2019/20 £000		2020/21 £000
(53,389)	**Balance at 1 April**	**(39,212)**
	Reversal of items relating to capital expenditure charged to the Comprehensive Income and Expenditure Statement	
11,614	Charges for depreciation and impairment of non-current assets	11,311
948	Revaluation losses / (gains) on property, plant and equipment	(413)
513	Amortisation of intangible assets	409
3,288	Revenue expenditure funded from capital under statute	2,338
22,952	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal calculation	3,981
(2,158)	Adjusting amount written out of the Revaluation Reserve	(1,798)
37,157	**Net written out amount of the cost of non-current assets consumed in the year**	**15,828**
	Capital financing applied in the year	
(2,116)	Use of the capital receipts reserve to finance new capital expenditure or set aside to reduce the net indebtedness of the Council	(3,049)
(9,150)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(10,611)
(4,122)	Application of grants to capital financing from the Capital Grants Unapplied Account	(3,798)
(6,526)	Statutory provision for the financing of capital investment charged against the General Fund	(5,688)
(1,073)	Capital expenditure charged against the General Fund	(129)
7	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	1
(39,212)	**Balance at 31 March**	**(46,658)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the Financial Instruments Adjustment Account to manage premiums paid on the early redemption of loans. Premiums are initially debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund balance to the Financial

Instruments Adjustment Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on council tax. Similarly, further statutory provisions allow the “effective” interest rate charges in respect of soft loans and stepped interest loans to be reversed out of the General Fund balance to the Financial Instruments Adjustment Account.

2019/20 £000		2020/21 £000
1,868	**Balance at 1 April**	**1,810**
(33)	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(33)
	Effective interest rate adjustments in respect of:	
(17)	Soft loans	(18)
(8)	Stepped loan rates	(9)
(58)	**Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance cost chargeable in the year in accordance with statutory requirements**	**(60)**
1,810	**Balance at 31 March**	**1,750**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for pension benefits and for funding benefits in accordance with statutory provisions. The Council accounts for pension benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer’s contributions to the pension fund.

The debit balance on the Pensions Reserve, therefore, shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2019/20 £000		2020/21 £000
269,165	**Balance at 1 April**	**253,074**
(42,461)	Remeasurement of the net defined benefit liability	82,611
26,370	Amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under the pension scheme regulations.	16,008
253,074	**Balance at 31 March**	**351,693**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rate income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and non-domestic rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2019/20 £000		2020/21 £000
(1,414)	**Balance at 1 April**	**(2,048)**
(634)	Amount by which the council tax income and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement differs to the amount calculated in accordance with statutory requirements	12,071
(2,048)	**Balance at 31 March**	**10,023**

As indicated in Notes 21 and 23, the introduction of extended business rates reliefs to help retail, leisure, hospitality, and nursery businesses through the pandemic have resulted in a significant reduction in business rates income due to the Council. This in turn has resulted in a larger than usual deficit on the Business Rates Collection Fund, and a significant swing in the Collection Fund accounting adjustments required to eliminate central and preceptor shares of business rates balances from the Council's Comprehensive Income and Expenditure Statement and Balance Sheet.

Accumulated Absences Adjustment Account

The cost of compensated absences e.g. annual leave entitlement not taken by employees during the year is charged to the Comprehensive Income and Expenditure Statement. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

2019/20 £000		2020/21 £000
2,851	**Balance at 1 April**	**2,703**
(2,851)	Settlement of cancellation of accrual made at the end of the preceding year	(2,703)
2,703	Amounts accrued at the end of the current year	3,423
(148)	**Amount by which remuneration charge to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements**	**720**
2,703	**Balance at 31 March**	**3,423**

30 POST-EMPLOYMENT BENEFITS

Pension Schemes accounted for as defined contribution schemes

Teachers' pension scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education (DfES). The Scheme provides teachers with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefit scheme, however, the scheme is unfunded. The DfES uses a notional fund as the basis for calculating the employer's contribution rate paid by local authorities, and it also bears the related funding risks. The Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2020/21, the Council paid £7,925,928 (£6,987,612 in 2019/20) to the Teachers Pensions Agency in respect of teachers' retirement benefits, representing 23.68% of pensionable pay (23.68% in 2019/20).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' Scheme. These costs are accounted for on a defined benefits basis.

National Health Service (NHS) pension scheme

The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2020/21, the Council paid £29,202 (£47,911 in 2019/20) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.38% (14.38% in 2019/20) of pensionable pay.

Defined benefit pension schemes

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

The Council participates in the Local Government Pension Scheme (LGPS) which is administered locally by Lancashire County Council. The LGPS is a funded defined benefit pension arrangement for local authorities and related employers and is governed by statute (principally now the Local Government Pension Scheme Regulations 2013).

The Lancashire County Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees. Each employer's contributions to the Fund are calculated in accordance with the LGPS Regulations, which require an actuarial valuation to be carried out every 3 years.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as shown in the following table.

Discretionary benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. This is an unfunded defined benefit arrangement, under which liabilities arising are recognised when the decision to make the award is made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. Transactions are accounted for using the same policies as are applied to the Local Government Pension Scheme.

Transactions in relation to post-employment benefits

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019/20 £000	**2020/21 £000**	**2019/20 £000**	**2020/21 £000**
Comprehensive Income and Expenditure Statement				
Cost of services				
Current service cost	23,698	22,606	0	0
Past service cost	10,928	0	0	0
(Gain)/loss from settlements and curtailments	85	275	0	0
Financing and Investment Income and Expenditure				
Net Interest expense and administration costs	6,635	5,447	167	126
Total post-employment benefit charged to the surplus or deficit on the provision of services	**41,346**	**28,328**	**167**	**126**
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Remeasurement - assets	(27,904)	(60,541)	0	0
Remeasurement - liabilities				
- Experience (gain) / loss	34,687	(20,601)	(1,067)	(128)
- (Gains)/losses on financial assumptions	(15,727)	163,328	(75)	553
- (Gains)/losses on demographic assumptions	(32,216)	0	(159)	0
Total re-measurement recognised in Other Comprehensive Income	**(41,160)**	**82,186**	**(1,301)**	**425**
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	**186**	**110,514**	**(1,134)**	**551**
Movement in Reserves Statement				
Reversal of net charges made to the surplus/deficit on the provision of services for post-employment benefits in accordance with the Code	(26,739)	(16,384)	369	376
Actual amount charged against the General Fund balance for pensions in the year				
Employers' contributions payable to the scheme	**14,607**	**11,944**		
Retirement benefits payable to pensioners			**536**	**502**

Pensions assets and liabilities recognised in the Balance Sheet

The amounts included in the Balance Sheet arising from the Council's obligations in respect of its defined benefit plans are as follows:

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Discretionary Benefits Arrangements	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Present value of the defined benefit obligation	(928,785)	(1,100,199)	(5,527)	(5,576)
Fair value of plan assets	681,238	780,591	0	0
Net liability arising from defined benefit obligation	**(247,547)**	**(319,608)**	**(5,527)**	**(5,576)**

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Opening balance at 1 April	**(903, 002)**	**(928,785)**	**(7,197)**	**(5,527)**
Current service cost	(23,698)	(22,606)	0	0
Interest cost	(21,627)	(22,095)	(167)	(126)
Contributions by scheme participants	(4,346)	(4,493)	0	0
Remeasurement - liabilities				
- Experience (gain) / loss	(34,687)	20,601	1,067	128
- (Gains)/losses on financial assumptions	15,727	(163,328)	75	(553)
- (Gains)/losses on demographic assumptions	32,216	0	159	0
Past service (cost)/gain	(10,928)	0	0	0
(Losses)/gains on curtailment	(85)	(275)	0	0
Liabilities extinguished on settlements	0	0	0	0
Benefits paid	21,645	20,782	536	502
Closing balance at 31 March	**(928,785)**	**(1,100,199)**	**(5,527)**	**(5,576)**

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Opening balance at 1 April	**641,034**	**681,238**	**0**	**0**
Interest income	15,405	17,075	0	0
Remeasurement (gains) / losses - assets	27,904	60,540	0	0
Settlements	0	0	0	0
Contributions from employer	14,607	38,454	536	502
Contributions from employees into the scheme	4,346	4,493	0	0
Benefits paid	(21,645)	(20,782)	(536)	(502)
Other	(413)	(427)	0	0
Closing balance at 31 March	**681,238**	**780,591**	**0**	**0**

Local Government Pension Scheme assets comprised:

31 March 2020 £000	Asset category	Quoted in active markets (Y/N)	31 March 2021 £000
7,494	**Cash and cash equivalents etc.**	N	**17,239**
	Bonds (by sector):		
8,174	UK Corporate	Y	0
8,856	Overseas Corporate	N	0
17,030	**Sub-total bonds**		**0**
	Property (by type):		
681	Retail	N	767
8,856	Commercial	N	12,605
9,537	**Sub-total property**		**13,372**
	Private equity:		
0	UK	N	0
54,499	Overseas	N	62,628
54,499	**Sub-total private equity**		**62,628**
	Other investment funds:		
94,011	Infrastructure	N	93,613
48,368	Indirect Property Funds	N	97,794
107,636	Credit Funds	N	104,346
36,106	Pooled Fixed Income	N	26,020
0	UK Pooled Equity Funds	N	7,983
306,557	Overseas Pooled Equity Funds	N	357,596
592,678	**Sub-total other investment funds**		**687,352**
681,238	**TOTAL ASSETS**		**780,591**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method; an estimate of the pensions that will be payable in future years, dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer Limited, an independent firm of actuaries.

Estimates for the Lancashire County Fund are based on the latest full valuation of the scheme as at 31 March 2019. The principal assumptions used by the actuary are as follows:

2019/20		2020/21
Mortality assumptions		
Longevity at 65 for current pensioners		
22.3	Male	22.4
25.0	Female	25.1
Longevity at 65 for future pensioners		
23.8	Male	23.9
26.8	Female	26.9
Financial assumptions		
2.1%	Rate of CPI inflation	2.7%
3.6%	Rate of increase in salaries	4.2%
2.2%	Rate of increase in pensions (payment / deferment)	2.8%
2.4%	Rate for discounting scheme liabilities	2.1%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the previous table. The following sensitivity analysis is based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period.

Change in assumptions at 31 March 2021	Impact on the net Defined Benefit Liability £000	Impact on the projected Service Cost for next year £000	Impact on the projected Net Interest Cost for next year £000
Longevity - 1 year increase in member life expectancy	+ 33,340	+ 932	+ 705
Rate of inflation - increase by 0.1%	+ 19,491	+ 806	+ 415
Rate of increase in salaries – increase by 0.1%	+ 1,879	0	+ 45
Rate for discounting scheme liabilities – increase by 0.1%	- 19,154	- 773	- 77
Change in 2020/21 investment returns:			
- increase by 1%	- 7,843	0	- 165
- decrease by 1%	+ 7,843	0	+ 165

Impact on the Council's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible, whilst meeting the requirement of Regulations governing the Fund which require the contributions to be set with a view to targeting the Fund's solvency. The detailed provisions are set out in the Fund's Funding Strategy Statement (FSS).

The Regulations also require actuarial valuations to be carried out every 3 years. The most recent valuation, at 31 March 2019, showed a surplus of £12 million against the Fund's solvency funding target. An alternative way of expressing the position is that the Fund's assets were sufficient to cover just over 100% of its liabilities – this percentage is known as the solvency funding level of the Fund. The previous valuation at 31 March 2013 showed a shortfall of £690 million, equivalent to a solvency funding level of 90%.

The LGPS Regulations require the next 3 years' contributions to be set so as to secure the Fund's solvency and long-term cost efficiency. The "Primary rate" of the employers' contribution is the contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits together with administration costs. The "Secondary rate" of an individual employer's contribution is an adjustment to the primary contribution rate to reflect any past service deficit or surplus, based on an average recovery period of 16 years. Funding levels are monitored on an annual basis, with the next triennial valuation due to be completed on 31 March 2022.

The Council's projected contributions to the scheme in 2021/22 are £14.153 million.

The weighted average duration of the authority's defined benefit obligation is 17 years, measured on the actuarial assumptions used for IAS19 purposes.

Early payment of 3 years LGPS employers' pension contributions and deficit lump sum

Every three years the pension scheme undertakes a valuation process which establishes each employer's deficit in respect of previous years and the period over which this is to be repaid. As the full amount is due at the point of the triennial valuation each employer pays the Pension Fund a rate of "interest" for allowing payment over a longer period to compensate the Fund for investment opportunities which it has forgone. Paying in advance of this schedule enables a gross saving due to the avoidance of these "interest" payments. This is then netted off against the interest that could have been earned by the Council placing this money on deposit.

For the three year period, commencing 1st April 2020, the Council has taken advantage of a discount offered for early payment of both the three year deficit amount and the (monthly) employer contributions in relation to current staff who are members of the LGPS. A payment of £38.284 million was made in April 2020, which will result in a net saving, after accounting for interest on borrowing, of approximately £1.5 million across the 3 year period.

As a consequence of this early payment of pension contributions there is a reduction of the pension liability by £38.284 million. Due to the regulatory provisions which specify the amount chargeable to the Council's General Fund an amount of £26.509 million (i.e. the amount relating to years two and three of the triennial period) has been credited to the pension reserve in 2020/21, as a result the pension liability and pension reserve are not equal and opposite amounts as would ordinarily be the case.

Court of Appeal ruling for Firefighters/Judges (the Sergeant and McCloud cases)

The decisions of the Court of Appeal in the Sergeant/McCloud cases (generally referred to for the LGPS as "McCloud") have ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. The Government has accepted that remedies relating to the McCloud judgement are needed in relation to all public service pension schemes, and a consultation was published in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary scheme underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and either remain active or left service after 1 April 2014.

The actuarial figures include an allowance for McCloud that is substantially in line with the proposed remedy above. There are some minor areas where the Actuary's approach differs, but other than in exceptional circumstances it is expected that the impact of these minor proposed changes to be nil, therefore, no further adjustments are required.

Goodwin, Brewster and Langford judgements: These are other recent rulings that could in theory have an impact on the LGPS, all of which relate to dependants benefits, however, it is expected that the impact of the ruling to be very small (if anything). For example, the Actuary's sample analysis on the most significant of the rulings (Goodwin) suggests a potential cost well under 0.1% of liabilities on average, therefore, no adjustments have been made in respect of these judgements.

Guaranteed Minimum Pension (GMP) equalisation: UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the "Barber" judgement). This includes providing equal benefits accrued from that date to reflect the difference in GMPs. Previously, there was no consensus or legislative guidance as to how this might be achieved in practice for ongoing schemes, but the 26 October 2018 Lloyds Bank court judgement has now provided clarity in this area.

However, in response to this judgement HM Treasury stated that "public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgement". As a result, the Actuary has concluded that it is not appropriate for their figures to include any provision for the effect of the Lloyds Bank judgement at the present time. However, in due course there may be a further cost to the LGPS and its employers in connection with equalisation/indexation – there is a possibility that all public sector schemes will be required to index-link GMP benefits in respect of those members who reach their State Pension Age (SPA) after April 2021. Although government policy is still to be determined, the actuarial figures do include an allowance for full GMP indexation for all members reaching SPA after 2021.

Covid-19

Since February 2020 there has been substantial volatility in financial markets around the world in relation to the Covid-19 pandemic, and while this has reduced in recent months, the potential for further volatility remains. This may have consequences for asset values, and this will be reflected in the 2020/21 accounting figures. Over the same period corporate bonds have also been impacted, and after an initial spike the yields on AA-rated corporate bonds have reduced from previous levels which will impact on accounting liabilities. Regarding the impact on mortality, the Actuary's view is that it is not possible at this point to draw any meaningful conclusions on the potential impact of Covid-19 on mortality rates going forward, and so it would be inappropriate to make any adjustments to mortality assumptions at this time.

31 CASH FLOW STATEMENT NOTES

Operating activities

The net surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement has been subject to the following adjustments in order to arrive at the net cash flows from operating activities:

The cash flows for operating activities include the following items:

31 March 2020 £000		31 March 2021 £000
1,373	Interest received	460
(14,595)	Interest paid	(12,733)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

31 March 2020 £000		31 March 2021 £000
11,614	Depreciation	11,311
948	Impairment and downward valuations	(413)
513	Amortisation	409
(1,497)	Increase/(decrease) in creditors	6,043
(468)	(Increase)/decrease in debtors	(3,263)
81	(Increase)/decrease in inventories	(51)
30,873	Movement in pension liability	(10,501)
23,317	Carrying amount of non-current assets, non-current assets held for sale, sold or derecognised	3,279
(522)	Other non-cash items charged to the surplus or deficit on the provision of services	302
64,859	**Total**	**7,116**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

31 March 2020 £000		31 March 2021 £000
10	Proceeds from short-term and long-term investments	(379)
(2,116)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,968)
(12,186)	Any other items for which the cash effects are investing or financing cash flows	(21,256)
(14,292)	**Total**	**(23,603)**

Investing activities

31 March 2020 (Restated) £000		31 March 2021 £000
(23,221)	Purchase of property, plant and equipment, investment property and intangible assets	(18,710)
(241,140)	Purchase of short term and long term investments	(54,025)
(1,651)	Other payments for investing activities	2,999
2,116	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,968
209,140	Proceeds from short term and long term investments	59,081
12,160	Other receipts from investing activities	21,256
(42,596)	**Net cash flows from investing activities**	**12,569**

The 2019/20 comparative figures above, in respect of the Proceeds from the sale of property, plant and equipment, investment property and intangible assets, have been restated to reflect a prior year adjustment in relation to the value of the Finance Lease debtor for the shopping centre lease. Further details are provided in Note 28.

Financing activities

31 March 2020 £000		31 March 2021 £000
111,000	Cash receipts of short term and long term borrowing	114,250
0	Other receipts from financing activities	0
(1,716)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(1,811)
(74,940)	Repayment of short term and long term borrowing	(124,799)
(1,810)	Other payments for financing activities	(1,479)
(32,534)	**Net cash flows from financing activities**	**(13,839)**

32 RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies and individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has effective control over the general operations of the Council as it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax). Grant income from Government departments is shown in Note 7.

Other public bodies (subject to common control by Central Government)

The main transactions with other public bodies are in relation to precepts paid to Lancashire Police Authority and the Lancashire Combined Fire Authority, details of which are shown in the Collection Fund Income and Expenditure Statement.

The Council continues to work closely with its major Health partner, Blackburn with Darwen Clinical Commissioning Group (CCG) to jointly deliver integrated health and adult social care services under NHS Section 75 and Section 256 agreements and under strategic direction of the local Health and Wellbeing Board. This includes joint strategic needs assessments and a joint health and wellbeing strategy to increase and improve integrated health and social care for residents of the Borough.

In addition the Council is working together with other health partners and Local Authorities across the Pennine Lancashire footprint and wider over the Lancashire and South Cumbria area on new models of care and delivery of Integrated Health and Social Care services.

The Council and the Clinical Commissioning Group (CCG) received £12.635 million revenue ring fenced grant in 2020/21 (£11.992 million in 2019/20) towards the Better Care Fund (BCF), of which £6.109 million expenditure (£6.287 million in 2019/20) was incurred by the CCG on health related initiatives and the remaining £6.526 million (£5.705 million in 2019/20) was retained by the Council to spend on health and social care schemes, in accordance with the pooled budget arrangements. The BCF brings together NHS and Local Government resources, and operates as a pooled budget (Section 75 agreement) with Blackburn with Darwen Council identified as the pooled budget host. The BCF provides an opportunity through pooled budget arrangements to transform local services so that people are provided with better integrated care and support. The Fund provides a real opportunity to create a shared plan for the totality of health and social care activity, to improve services and value for money, and protecting and improving social care services by shifting resources from acute services into community and preventive settings.

The Council received £14.9 million of Public Health Grant in 2020/21 (£14.4 million in 2019/20) for the delivery of Public Health services aimed at improving health outcomes for all ages and removing health inequalities across the borough population. The Public Health Grant is allocated to the authority as a ring fenced grant.

The Council hosts a joint building control service with Burnley Borough Council. Under a service level agreement both authorities contribute towards the net running cost of the service, with Burnley contributing 35.5% (£95,123) and Blackburn with Darwen contributing 64.5% (£172,828) in 2020/21. In 2019/20 the corresponding figures were 35.5% (£88,776) and 64.5% (£161,297) respectively.

Members

Members of the Council have direct control over the Council's financial and operating policies. Members are also appointed by the Council to boards or committees of various organisations to act on behalf of the Council in their official capacities.

The total of Members' allowances paid in 2020/21 is shown in Note 9.

Details of Members' interests are recorded in the Register of Members' Interests, which is open to public inspection. The table below contains transactions during 2020/21 for services delivered to / from organisations in which members have declared interests that would indicate a significant level of control:

	Income received £	Income owed to the Council £	Payments made £	Payments owed by the Council £
Home Care For You Limited	(869.07)	0	1,940,838	0

In all cases, the works or services detailed above were entered into in full compliance with the Council's standing orders, financial procedure rules and procurement procedure rules.

Officers

Officers are appointed by the Council to boards or committees of various organisations to act on behalf of the Council in their official capacities. All officers are also required to declare any relevant interests in a departmental register of interest, gifts and hospitality. In 2020/21 one senior officer made the following additional declarations:

- a family relationship with a senior officer in one of the Council's major precepting authorities. Although there are significant transactions between the two parties in relation to business rates and council tax, the administration of these is strictly defined by a statutory framework.

There were no other significant transactions with organisations in which Council officers had declared interests.

Interests in companies and other entities

The Council has financial interests and related party transactions with the following companies.

Blackburn with Darwen and Bolton Local Education Partnership Limited

During the year the Council has sold its investment in Blackburn with Darwen and Bolton Local Education Partnership Limited, which was formed in order to deliver the capital investment elements of the Building Schools for the Future programme. Payments made in 2020/21, under the terms of the PFI contracts, to the Blackburn with Darwen and Bolton Local Education Partnership Limited amounted to £14.550 million (£13.850 million in 2019/20).

Growth Lancashire Limited

The Council is one of 6 local authorities with an interest in Growth Lancashire Limited (formerly Regenerate Pennine Lancashire Limited), an economic development company designed to help increase prosperity and life choices for people living and working in Pennine Lancashire. By working alongside businesses to boost Lancashire's economy, the company is able to create new job opportunities and access local funds, Government grants and European funding. The company delivers a Gateway Service to support businesses throughout Lancashire, Blackpool and Blackburn with Darwen, and provides funding to assist business growth.

The company is limited by guarantee. Lancashire County Council is the accountable body, providing the company secretary and audit services at no cost. Blackburn with Darwen Borough Council acts as the employing body for staff and provides finance, IT and related support.

Barnfield Blackburn Limited

The Council has an interest in Barnfield Blackburn Limited, a joint venture company with the aim of acquiring and preparing development sites within the Borough in order to facilitate economic development, job creation and housing growth.

Entities controlled or significantly influenced by the Council

The Council made payments in respect of the commissioning of services under either a Service Level Agreement or contractual agreement totalling £2,378,895 to nine organisations during the year where the amounts concerned provided a significant proportion of those organisations' income. The details are as follows:

- Spring North (Formerly Families, Health & Wellbeing Consortium) - £196,001
- Blackburn with Darwen Council for Voluntary Service (CVS) - £186,977
- Care Network (BWD) Limited - £414,992
- Age UK Blackburn with Darwen - £613,053
- Lancashire Women's Centre - £222,204
- Blackburn with Darwen Carers SVC - £214,999
- Child Action North West - £400,064
- Darwen Old People's Welfare - £79,105
- Age UK Lancashire - £51,500

Similar payments totalling £2,491,583 were made in 2019/20. In these cases, there is a presumption that there is substantial reliance upon such income for the future continuation or otherwise of the organisations concerned.

33 CONTINGENT ASSETS AND LIABILITIES

Contingent Asset

The Council is currently pursuing the recovery of costs incurred in respect of a service user within Adult Social Care. The case involves a dispute between three local authorities over the responsibility for the social care costs for an individual service user. Legal services have been involved in this case to pursue recovery of the costs and after numerous attempts over six years the case has been to ADASS for mediation and will now be referred to the Secretary of State for resolution. The amount to be recovered in respect of the service user amounts to £359,000 as at end of March 2021.

Contingent Liability

Following the liquidation of Municipal Mutual Insurance (MMI) in 1992/93 there are a number of claims outstanding which may not be resolved for many years. The "Scheme of Arrangement" between local authorities and the administrators of MMI was invoked in 2012/13 and the Council has a liability both in relation to the former Blackburn Borough Council and Lancashire County Council (in relation to transferred services). The total potential liability in relation to the former Blackburn Borough Council as at 31 March 2021 remains uncertain. A Levy has been paid at a rate of 25% on established scheme liabilities - amounting to a total of £495,500 for the Council. In considering the most likely remaining financial impact, the Council has set aside a provision of £320,000, with a further £250,000 being held in an earmarked reserve. However, there is a risk that the Council's financial liability could increase from this level.

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

2019/20				2020/21		
Non-domestic rates	Council tax	Total		Non-domestic rates	Council tax	Total
£000	**£000**	**£000**	**Income**	**£000**	**£000**	**£000**
	(64,018)	(64,018)	Council tax receivable (net of benefits, discounts for prompt payment and transitional relief)		(64,632)	(64,632)
0	0	0	Transfer from General Fund – Hardship Fund Grant	0	(2,035)	(2,035)
(46,396)	0	(46,396)	Non-domestic rates receivable (net of discretionary and mandatory reliefs)	(28,160)	0	(28,160)
			Contribution towards previous year's Collection Fund deficit			
0	0	0	- Central Government	0	0	0
0	(284)	(284)	- Blackburn with Darwen Borough Council	0	0	0
0	(34)	(34)	- Police & Crime Commissioner for Lancashire	0	0	0
0	(13)	(13)	- Lancashire Combined Fire Authority	0	0	0
0	**(331)**	**(331)**	**Total contribution to previous year's Collection Fund deficit**	**0**	**0**	**0**
(46,396)	**(64,349)**	**(110,745)**	**Total income**	**(28,160)**	**(66,667)**	**(94,827)**
			Expenditure			
			Precepts and demands from major preceptors and the Council (Council tax)			
0	52,758	52,758	- Blackburn with Darwen Borough Council	0	56,022	56,022
0	7,018	7,018	- Lancashire Police Authority	0	7,523	7,523
0	2,421	2,421	- Lancashire Combined Fire Authority	0	2,521	2,521
0	**62,197**	**62,197**	**Total council tax precepts**	**0**	**66,066**	**66,066**
			Shares of non-domestic rating income to major preceptors and the Council (billing authority)			
30,843	0	30,843	- Blackburn with Darwen Borough Council	20,587	0	20,587
630	0	630	- Lancashire Combined Fire Authority	420	0	420
31,473	**0**	**31,473**	**Total non-domestic rates precepts**	**21,007**	**0**	**21,007**
10,491	0	10,491	Payment with respect to central share (including allowable deductions) of the non-domestic rating income to be paid to Central Government	21,008	0	21,008
1,925	0	1,925	Transitional Protection Payments payable	1,529	0	1,529
1,190	1,393	2,583	Impairment of debt/appeals	4,776	2,216	6,992
248	0	248	Charge to General Fund for allowable collection costs	247	0	247
			Contribution towards previous year's Collection Fund surplus			
810	0	810	- Central Government	458	0	458

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794	0	794	- Blackburn with Darwen Borough Council	31	671	702
0	0	0	- Police & Crime Commissioner for Lancashire	0	89	89
16	0	16	- Lancashire Combined Fire Authority	1	31	32
46,947	**63,590**	**110,537**	**Total expenditure**	**49,057**	**69,073**	**118,130**
551	**(759)**	**(208)**	**Movement on fund balance**	**20,897**	**2,406**	**23,303**
(2,963)	**47**	**(2,916)**	**Fund balance brought forward**	**(2,412)**	**(712)**	**(3,124)**
551	**(759)**	**(208)**	Movement on fund balance	**20,897**	**2,406**	**23,303**
(2,412)	**(712)**	**(3,124)**	**Fund balance carried forward**	**18,485**	**1,694**	**20,179**

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Allocation of Collection Fund balance

31 March 2020			31 March 2021	
Non-domestic rates £000	**Council tax £000**	**(Surplus)/deficit carried forward**	**Non-domestic rates £000**	**Council tax £000**
		Allocated to:		
(1,444)	(604)	Blackburn with Darwen Borough Council	8,587	1,436
0	(80)	Police & Crime Commissioner for Lancashire	0	193
(29)	(28)	Lancashire Combined Fire Authority	175	65
(939)	0	Central Government	9,723	0
(2,412)	**(712)**	**Total**	**18,485**	**1,694**

Non-domestic rates

The Council collects non-domestic rates for its area which are based on local rateable values (set by the Valuation Office) multiplied by a uniform business rate set by Central Government. There are 2 multipliers- the small business non-domestic rating multiplier, which is applicable to those that qualify for small business rate relief, and the non-domestic rating multiplier, which includes the supplement to pay for the small business rates relief scheme.

The non-domestic rating multiplier was 51.2p for 2020/21 (50.4p for 2019/20), which was made up of a small business rating multiplier of 49.9p plus a supplement of 1.3p. The total non-domestic rateable value at 31 March 2021 was £120,513,511 (£120,571,869 at 31 March 2020).

For 2019/20 Blackburn with Darwen Council, joined with 13 of the other 14 councils across Lancashire to form a 75% Business Rates Retention (BRR) Pool Pilot. The pilot model resulted in an increase in the level of Business Rates retained locally from 50% to 75% - the local share being split between Lancashire Combined Fire Authority (1.5%) and the Council as Billing Authority (73.5%). The Council’s share reverted back to 49% in 2020/21.

Calculation of the council tax base

The council tax base is the number of chargeable dwellings in each valuation band (A to H), adjusted for dwellings where exemptions or discounts apply, and converted to an equivalent number of band D dwellings.

In 2020/21 the calculation of the tax base for council tax setting purposes was based on a total of 61,751 (61,646 in 2019/20) residential properties (taken from a list prepared by the Government's Valuation Office). After taking account of discounts, exemptions and disabled relief these equate to 45,507 chargeable dwellings or 36,490 band D equivalent properties, as analysed in the table below.

Valuation Band	Total equivalent number of dwellings after discounts, exemptions and disabled relief	Chargeable Band D Equivalents
A	23,109	15,395
B	7,536	5,861
C	7,259	6,452
D	4,306	4,306
E	1,966	2,403
F	733	1,059
G	547	912
H	51	102
Total	**45,507**	**36,490**

General Principles

The Statement of Accounts summarises the Council's transactions for the financial year 2020/21 and its position at the year-end of 31 March 2021. The Council is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2020/21* (the Code), supported by International Financial Reporting Standards (IFRS).

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

Accounting policies can be defined as the principles, bases, conventions, rules and practices applied that specify how the transactions and other events are to be reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves.

All accounting policies are disclosed where they are material and reflect the particular circumstances of the Council.

Accruals of income and expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and cash equivalents

Cash consists of cash in hand and deposits with financial institutions repayable without penalty on notice of no more than twenty four hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. This category includes cash on call and instant access Money Market Funds.

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

Charges to revenue for non-current assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance (i.e. Minimum Revenue Provision or MRP). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Council tax and non-domestic rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for council tax and NDR

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

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

Employee benefits

Benefits payable during employment

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

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement, at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment benefits

Employees of the Council are members of three separate pension schemes:

- **Teachers' pension scheme** - administered by Capita Teachers' Pensions on behalf of the Department for Education (DfES).
- **NHS pension scheme -** administered by NHS Business Services Authority on behalf of the Department of Health.
- **Local government pension scheme** (LGPS) – Pension administration services are provided to the Lancashire County Pension Fund by Local Pensions Partnership, with Lancashire County Council as the Administering Authority.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if they were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The *Schools and Education DSG* line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The *Public Health and Wellbeing* line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate of 2.4% (based on the indicative rate of return on high quality corporate bonds).
- The assets of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value

The change in the net pension's liability is analysed into the following components:

Component	Description	Treatment
Service costs		
Current service costs	The increase in liabilities as a result years of service earned this year	Allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
Past service costs	The increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years	Debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement - within Non-distributed costs
Net Interest on the net defined benefit liability i.e. interest expense for the Council	The change during the period in the net defined benefit liability that arises from the passage of time. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments	Charged to the *Financing and investment income and expenditure* line of the Comprehensive Income and Expenditure Statement
Re-measurements		
The return on plan assets	The return on plan assets, excluding amounts included in net interest on the net defined benefit liability.	Charged to the Pensions Reserve as other comprehensive income and expenditure
Actuarial gains and losses	Changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.	Charged to the Pensions Reserve as other comprehensive income and expenditure
Contributions		
Contributions paid to the pension fund	Cash paid as employer's contributions to the pension fund in settlement of liabilities	These are not accounted for as an expense in the Comprehensive Income and Expenditure Statement, but are charged to the General Fund under statutory accounting requirements.

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

Discretionary benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events after the reporting period

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

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

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

Financial Instruments

Financial liabilities

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

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

However, the Council has taken some market loans subject to "stepped" interest rates, where the initial rates payable were lower than over the rest of the loan. Interest charges for these loans are averaged out over the life of each loan and effective interest rates are used to calculate their amortised cost for the Balance Sheet. As the loans were taken before 9 November 2007, however, there is no impact on the General Fund Balance as reconciling adjustments are made to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. However, if the repurchase takes place as part of a restructuring of the loan portfolio that involves a modification or exchange of existing instruments, the premium or discount is deducted from or added to the amortised cost of the new or modified loan. In this scenario the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Council holds financial assets measured at:

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

The Council's business model is to hold investments to collect contractual cash flows, financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely repayment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument.

FVOCI assets relate to financial instruments where the amounts received relating them are solely principal and interest and they are held **both** to generate cash flows and to sell the instrument. It also includes equity investments that the Council may elect into this category i.e. an equity investment that has been classed as FVPL can be designated as FVOCI if it is not held for trading (e.g. a strategic investment). Once this designation has been made it cannot be reversed.

Financial assets measured at amortised cost

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

However, the Council sometimes makes loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement at a marginally higher effective interest rate than the rate receivable from the voluntary organisation, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable in the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Expected credit loss model

The Council recognises expected credit losses on all of its financial assets held at amortised costs (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets.

Impairment losses are calculated to reflect the expectation that future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses.

Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. In practice, for trade receivables, unless it is known that a counterparty is at risk of going into administration the calculation is largely based on age of debt and amount of debt overdue.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets that are measured at FYOCI are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

Cumulative gains and losses are charged to the Surplus or Deficit on the Provision of Services when they are disposed of. Under capital accounting regulations, where these assets are treated as capital expenditure any gains or losses are reversed to an unusable reserve – the Financial Instruments Revaluation Reserve.

Financial assets measured at fair value through profit or loss (FVPL)

Financial assets that are measured at FYPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services.

These assets relate to financial instruments where the amounts received relating them are not solely principal and interest (e.g. Money Market Funds or equity investments not designated as a strategic investment).

Fair value measurements of financial assets

The fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Council's financial assets are based on the following techniques:

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

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

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

Any gains and losses that arise on derecognition of the asset are credited or debited to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement. Under capital accounting regulations.

Fair value measurement of non-financial assets

The Council's policy for fair value measurement of financial assets is set out in the previous section (Financial Instruments). The Council also measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments, such as equity shareholdings, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset, or

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

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

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

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

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

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

Government grants and contributions

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

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

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

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

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

Heritage Assets

The Council's Heritage assets are held by the Council in support of the primary objective of increasing the knowledge, understanding and appreciation of the Borough's history and local area. They include collections of art, books and manuscripts, civic regalia and other artefacts, which are held in Blackburn museum and art gallery, Blackburn town hall, Turton Tower and the Council's libraries. Heritage assets are recognised and measured largely in accordance with the Council's accounting policies on property, plant and equipment although there is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations. Heritage assets are recognised in the Balance Sheet at the insurance valuation quoted in the Council's "All risks" policy for the twelve month period commencing the 1 April immediately after the balance sheet date.

The schedule of items held within this category is reviewed each year and adjusted for additions, deletions or impairments (e.g. where an item has suffered physical deterioration, or breakage or where doubts arise as to its authenticity). These assets have an indeterminate life and are subject to appropriate conservation measures, therefore, depreciation is not charged on heritage assets.

The museum recognises its responsibility to work within the parameters of the Museum Association Code of Ethics when considering acquisition and disposal. If an item becomes unsuitable for the collections it may be transferred to a more suitable venue, which is likely to be another museum or gallery. There is a process for removing items from a museum's collection which is very controlled and specific. The guiding principal for this is the Disposal Digest put together by the Museums Association and available on their web site.

Heritage assets such as Darwen Jubilee Tower, the War Memorial and various statues have not been recognised in the Balance Sheet as recent information on cost is not available or the cost of obtaining the information outweighs the benefit to the users of the financial statements.

Historic buildings that have been identified as having heritage characteristics are all used by the Council for operational purposes and are accounted for within the Council's Balance Sheet as property, plant and equipment. Examples include Blackburn Town Hall, King George's Hall, Blackburn Museum, Lewis Textile Museum, Corporation Park Conservatory and Turton Tower.

This accounting policy is a change from previous years and has been applied retrospectively, in line with the requirements of the accounting code of practice. The relevant amounts in the Council's Balance Sheet have been restated as detailed in Note 16.

Intangible Assets

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meet this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the *Other operating expenditure* line in the Comprehensive Income and Expenditure Statement.

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

Inventories and Long-term contracts

The Council's inventories are valued on a variety of bases depending on the nature of the items involved. These bases include cost, average cost and first in first out. The Code requires inventories to be included in the Balance Sheet at the lower of cost and net realisable value. The different treatment of stocks is not considered to be material.

Long-term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Industrial and commercial properties held by the Council are not considered to be held solely to earn rentals and/or for capital appreciation. Rather, they are held for regeneration, planning reasons and estate management and, therefore, have been classified as property, plant and equipment.

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

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

Joint Arrangements

Joint Arrangements are arrangements in which two or more parties have joint control bound by a contract. A Joint Arrangement can be classified as:

- A Joint Venture – This is an arrangement under which two or more parties contractually agree to share control, such that decisions about activities of the entity require consent from all parties. Material interests in Joint Ventures would ordinarily necessitate the completion of group accounts using the equity method of consolidation.
- A Joint Operation – This is an arrangement under which parties that have joint control have the rights to the assets and obligations for the liabilities relating to the arrangement. Under such arrangements the Council recognises the assets and liabilities it controls on the Balance Sheet and debits/credits the Comprehensive Income and Expenditure Statement for its proportion of any expenditure incurred/income received.

Leases

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

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

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

The Council as lessee

Finance leases

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

Lease payments are apportioned between:

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

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

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

Operating leases

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

The Council as lessor

Finance leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the *Other operating expenditure* line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium at the commencement of a lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis of rental income.

Private Finance Initiatives (PFI) and similar contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts in its Balance Sheet as part of property, plant and equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- **fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- **finance cost** – an interest charge on the outstanding Balance Sheet liability, debited to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement

- **contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement
- **payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator
- **lifecycle replacement costs** – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

Prior period adjustments, changes in accounting policies and estimates, and errors

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

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

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

Property, Plant and Equipment (PPE)

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

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. The Council only capitalises items that exceed the de minimis threshold of £10,000. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price, and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the *Taxation and non-specific grant income* line of the Comprehensive Income and

Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in a Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure and community assets - depreciated historical cost
- Assets under construction - historical cost
- Surplus Assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- Land and buildings and other operational assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Buildings - straight line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment – straight line allocation over 1-20 years, as advised by a suitably qualified officer
- Infrastructure – straight line allocation over 2-40 years

The standard approach is that newly acquired assets are not depreciated in the year of acquisition, and assets in the course of construction are not depreciated until they are brought into use. An exception to this is in respect of vehicles purchased outright when this represents better value for money than leasing. Depreciation is also charged on PFI schemes in the year the asset is recognised on the Balance Sheet, in order to be consistent with the minimum revenue provision (MRP) calculation. In these cases a full year's depreciation is charged in the initial year.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and derecognition

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to former housing disposals is payable to the government. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserve Statement

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

Provisions, Contingent Liabilities and Contingents Assets

Provisions

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

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

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

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

Contingent liabilities

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

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

Contingent assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Reserves

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

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

Revenue expenditure funded from capital under statute (REFCUS)

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

Schools

The Code confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the Council. This includes community, voluntary controlled, voluntary aided, foundation, community special, foundation special and nursery schools. The Code also stipulates that these schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (i.e. the single entity accounts rather than group accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

The accounting treatment of land and buildings in relation to schools is based on the legal framework underlying each type of school. The Council controls the management and running of community and foundation schools (where the foundation school is subject to a PFI contract), and therefore the land and buildings of those schools are included within property, plant and equipment on the Council's Balance Sheet.

The land and buildings of voluntary aided, voluntary controlled, foundation (not subject to a PFI contract), academy and free schools are owned and controlled by the trustees of the schools or the foundation body and are, therefore, not shown on the Council's Balance Sheet.

Capital expenditure on community schools is added to the balances for those schools as reported in the property, plant and equipment note. Capital expenditure on voluntary aided and foundation schools is treated as Revenue Expenditure Funded from Capital under Statute (REFCUS) and written off each year to the Comprehensive Income and Expenditure Statement within School's and Education Services (Non-DSG). Dedicated Schools Grant (DSG) is credited to the Comprehensive Income and Expenditure Statement within taxation and non-specific grant income based on amounts due from the Department for Education. (Further details are provided in Note 7).

DSG is allocated between centrally retained Council budget and budgets delegated to individual schools. Expenditure from centrally retained budgets and delegated schools budgets is charged to the Comprehensive Income and Expenditure Statement under School's and Education Services (DSG). Academies are funded directly from the Government, not via the local authority apart from funding for pupils with high needs. Income and expenditure in relation to academies is therefore not charged to the Comprehensive Income and Expenditure Statement.

Individual schools' balances for local authority maintained schools at the year-end are included in reserves in the Council's Balance Sheet.

Value Added Tax (VAT)

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

ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Council is required to disclose the impact of an accounting change required by a new accounting standard that has been issued on or before 1 January but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2021/22 Code will introduce the following amendments:

Amendments to *International Financial Reporting Standard (IFRS) 3 - Business combinations*: definition of a business

The amendments clarify the definition of a business, with the aim of helping entities to determine whether a transaction should be accounted for as an asset acquisition or a business combination.

Interest rate benchmark reform - Amendments to *IFRS 9, International Accounting Standard (IAS) 39 and IFRS 7 - Interest rate benchmark reform*

Interest rate benchmark reform – Phase 2: Amendments to *IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*.

The International Accounting Standards Board published Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) in response to the ongoing reform of interest rate benchmarks.

These amendments are not anticipated to impact on the Council's accounts.

SIGNIFICANT JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in the previous pages the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The significant judgements made in the statement of accounts are:

Local government Funding

There continues to be a high degree of uncertainty about future levels of funding for local government. The risks and uncertainty that underpin the assumptions within the Council's Medium Term Financial Strategy (MTFS) were initially due to the lack of information provided by central Government in relation to: the mechanisms for Business Rates Retention; the outcome of the Fair Funding Review and the resulting redistribution of resources; the Government's plan to address the future of social care; and the impact of Brexit. The ongoing impact of the Covid-19 pandemic has added uncertainty in respect of the pace and extent of economic recovery. The Council has plans to utilise Covid-19 related funding, received in the financial year 2020/21 and carried forward into 2021/22, to deliver Covid-related response and recovery activity whilst managing increased demand as Council services return to business as usual and provide capacity to deal with outstanding backlogs. The Council is of the view that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of the need to close facilities and reduce levels of service provision.

Mall market lease

The Council considers that the terms of the lease agreement in respect of Blackburn Market within the shopping centre does not transfer substantially all the risks and rewards incidental to ownership of the property, plant and equipment. The primary factors in determining this treatment were the non-specialist nature of the space rented, the separate accounting treatment of the specialist fixtures and fittings within the space, and the duration of the lease compared to the full economic life of the asset. The lease has, therefore, been treated as an operating lease and rentals paid under the terms of the lease are charged to the Comprehensive Income and Expenditure Statement.

Accounting for schools

In assessing the most appropriate accounting treatment for balances and transactions in relation to schools, the Council has considered the circumstances of each of the categories of school, such as ownership, control and access to economic benefits and service potential. Further details are included in Note 15.

Joint Arrangements

The Council entered into an arrangement with Barnfield Construction Limited in 2018- 2019 to regenerate a vacant site on Milking Lane, Lower Darwen. A limited liability company was established (Barnfield Blackburn Limited) as the vehicle through which the site would be acquired, developed and the necessary planning permissions obtained to allow the site to be used for business, thus achieving the Council's aim of economic development, job creation and housing growth.

This arrangement has been assessed under the relevant accounting standards to determine how this should be accounted for within the Council's accounts. Based on this assessment it has been determined that this arrangement falls to be classified as a joint venture which would ordinarily necessitate the completion of group accounting statements. Having reviewed the companies' financial statements, it has been determined that, on the grounds of materiality, group accounting statements are not required for 2020-2021. To this end, the Council's interest in the company continues to be reflected within the Council's single entity accounts as a long-term investment (see Note 19). Further detail about the Council's interests in companies and other entities is included in Note 32.

ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment (PPE) – valuation	
PPE assets included in the Balance Sheet at current value (i.e. Operational land & buildings), are valued by the Council's in-house valuer on a five year rolling programme, unless events indicate that a more frequent interval is required to assess the impact of: material capital work completed in year; impairment of specific properties; significant movement in property price indices on those assets not valued in the current year. Surplus and Investment assets are included in the Balance Sheet at fair value and are valued annually.	The total gross valuation of PPE assets included in the Balance Sheet at current value at 31 March 2021 is £226.9 million (see note 13 for further analysis). Since valuations are compiled by an expert using recognised measurement techniques and based on professional guidance, the underlying data is considered to be reliable and the scope to use judgement and change assumptions limited. The balance of asset not revalued in year are reviewed by applying appropriate cost indices to ensure that the value of the Council's assets are not materially misstated at the balance sheet date However, due to changes in economic conditions, a valuation taken on a different date could potentially result in a different outcome. The pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which the valuers are able base opinions of value. That said, a higher degree of caution should be attached to their valuations than would normally be the case for this financial year.
Property, plant and equipment/intangible assets – depreciation/amortisation	
Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the council will be able to sustain its current spending on repairs and	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by up to £200,000 for every year that useful lives had to be reduced.

maintenance, bringing into doubt the useful life assigned to assets.	
Fair value measurements	
When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value. For example for investment properties - the Council's in-house valuer, and for financial instruments - the Council uses its professional treasury advisers, Arlingclose.	The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment / surplus properties) and discount rates – adjusted for regional factors (for both investment / surplus properties and some financial assets) Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets. For investment and surplus properties, the impact of COVID-19 is as detailed in the PPE valuation section above.
Arrears	
At 31 March 2021, the Council had a balance of sundry debtors, including council tax and business rates arrears, of £51.6 million. Against this debtor balance there is a total impairment allowance of £18.2 million. In the current economic climate it is not certain that such an allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not.	The impairment allowances held are based on policies adapted to the nature of the debt and service area, historic experience and current debt recovery performance data. The assessment of credit losses is based on information about past events, current conditions but also future forecasts. The economic outlook for an authority's financial assets as a result of the Covid-19 pandemic must be taken into account when considering: • the risk of default of its financial assets • the exposure to that default risk, and • the estimated loss as a result of the default. As current circumstances are unprecedented, it will be difficult for local authorities to make such assessments, as the Code requires that calculations are made on the basis of reasonable and supportable information that is available without undue cost or effort at the reporting date.
Pensions liability	
Estimation of the liability to pay pensions within the Local Government Pension Scheme (LGPS) depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Changes to any of these assumptions could result in significant variances in the calculated liability	The effects on the net pension liability of changes in individual assumptions can be measured and some sensitivity analysis is included in Note 31. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £19.2 million There has been substantial volatility in equity markets in relation to the Covid-19 pandemic, resulting in a reduction in asset values for accounting purposes, however, 31 March 2020 was generally a low point for equity markets, and any recovery over the year is reflected in the accounting figures as at 31 March 2021. Over the same period, the market

A firm of actuaries is engaged, via the Lancashire County Pension Fund, to provide the Council with expert advice about the assumptions to be applied.	volatility extended to corporate bonds, but ultimately the yields on AA-rated corporate bonds as at 31 March 2021 are slightly lower than the start of the accounting year. As the discount rate for accounting purposes is based on corporate bond yields, this means this volatility will ultimately have an impact on accounting liabilities. Uncertainties also remain in respect of the future impact of various legal judgements and the remedies proposed to resolve age discrimination in relation to public sector pension schemes. To mitigate this, estimation has been undertaken by the actuary based on the membership profile and other assumptions specific to the Council, rather than the scheme or Fund as a whole.

Accounting policies

Those principles, bases, conventions, rules and practices applied by the Council, which define the process by which transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or loss is to be recognised, the basis on which it is to be measured and where in the revenue account or Balance Sheet it is to be presented.

Accruals concept

The concept that income is recorded when it is earned rather than when it is received and expenditure is recorded when goods or services are received rather than when payment is made.

Actuarial gains and losses

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

Associate company

This is an entity in which the Council has a participating interest and over who's operating and financial policies the Council is able to exercise significant influence.

Approved budget

The planned expenditure and income for the financial year in the case of revenue, or over the life of the project in the case of a capital scheme.

CIPFA

Chartered Institute of Public Finance and Accountancy. The Institute provides financial and statistical information for local government and other public sector bodies and advises central government and other bodies on local government and public finance matters.

Capital charges

A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services.

Capital expenditure

Expenditure on the acquisition of a non-current asset or expenditure which adds to (and not merely maintains) the value of an existing non-current asset.

Capital receipts

Income received from the sale of land or other capital assets, which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003. Capital receipts cannot be used to fund revenue services.

Collection Fund

The Collection Fund is administered by the Council to record the receipts from council tax and non-domestic rates and payments to the General Fund and other preceptors including Central Government.

Contingent asset

A possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events, not wholly within the Council's control.

Contingent liability

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

Corporate and democratic core

Comprises all activities which local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.

Current service cost (pensions)

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

Curtailment

For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Defined benefit scheme

A pension or other retirement benefits scheme where the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Depreciation

The measure of the cost, or revalued amount, of the benefits consumed during the accounting period relating to the non-current asset. Consumption includes the wearing out, using up or other reduction in the useful life of a non-current asset whether arising from use, passage of time or obsolescence through technological or other changes.

Expected rate of return on pensions assets

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

Fair Value

The price at which an asset could be exchanged in an arms-length transaction less, where applicable, any grants receivable towards the purchase cost of the asset

Finance lease

A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

Financial asset

A right to future economic benefits controlled by the Council that is represented by cash, an equity instrument of another entity, a contractual right to receive cash (or other financial asset) from another entity or a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the Council.

Financial liability

An obligation to transfer economic benefits controlled by the Council that is represented by a contractual obligation to deliver cash (or other financial asset) to another entity or a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the Council.

General fund

The main revenue fund of a local authority, which includes the net cost of all services, financed by local tax payers and Government grants.

International accounting standards

These accounting standards prescribe the methods by which all published accounts should be prepared and presented, and will over time replace UK accounting standards. Includes International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

Impairment

A reduction in the value of a non-current asset below its carrying amount in the Balance Sheet.

Infrastructure assets

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

Interest costs (pensions)

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

Joint venture

This is an entity which the Council has an interest in and is jointly controlled by the Council under a contractual arrangement.

Minimum Revenue Provision

The minimum amount which must be charged to the Council's revenue account each year and set aside as provision for repayment of debt, as required by the Local Government and Housing Act 1989.

Net book value

The amount at which non-current assets are included in the Balance Sheet, i.e. their historic cost or current value less the cumulative amounts provided for depreciation.

Net current replacement cost

The cost of replacing or recreating the particular asset in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net expenditure

The cost of providing a service after the deduction of any income.

Net realisable value

The open market value of the asset in its existing use (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Operating lease

This is a type of lease, usually vehicles or equipment where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Council.

Operational assets

Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the Council.

Past service cost

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

Post-employment benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of the employment. Includes pensions but not termination benefits payable as a result of redundancy/voluntary redundancy, because these are not given in exchange for services rendered by employees.

Precept

A method by which local parishes, Lancashire Police Authority and Lancashire Combined Fire Authority obtain the income they require by Blackburn with Darwen Borough Council adding the precept to its own council tax and paying over the appropriate cash collected.

Property, plant and equipment

Tangible assets (i.e. assets with physical substance) held by the Council for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used for more than one period.

Provision

An amount set aside by the Council for any liability of uncertain timing or amount that has been incurred.

Public Works Loan Board (PWLB)

A Central Government agency which provides long and short term loans to local authorities at interest rates slightly higher than those at which the government itself can borrow. Local authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

Related parties

Two or more parties are related when at any time during the financial period one party has direct or indirect control of the other party, the parties are subject to common control by the same source or where one party has influence over the financial and operational policies of the other, or both parties are subject to the influence from the same source, to an extent that they might be inhibited from pursuing their own separate interests.

Related party transactions

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

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

Reserve

Amounts set aside for purposes falling outside the definition of a provision are considered as reserves.

Revenue expenditure funded from capital under statute

Expenditure that legislation allows to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset, e.g. private sector housing improvement grants.

Revenue support grant

A Government grant in aid of local authority services generally. It is based on the Government's assessment of how much the Council needs to spend in order to provide a standard level of service.

Termination benefits

Amounts payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.

The Code

Code of Practice on Local Authority Accounting in the United Kingdom (Based on International Financial Reporting Standards).

REPORT TO :	Audit and Governance Committee
LEAD OFFICER:	Head of Finance
DATE:	11th July 2023

PORTFOLIOS AFFECTED:	**All**
WARD/S AFFECTED:	**All**

TITLE OF REPORT: Accounting Policies to be used in the preparation of the Statement of Accounts 2022/23

1. PURPOSE

To allow the Committee to review and consider the proposed Accounting Policies to be used in the preparation of the Council's Statement of Accounts 2022/23.

2. RECOMMENDATIONS

The Committee is recommended to note the use of the Accounting Policies as set out in ***Appendix A*** for the preparation of the Council's Statement of Accounts 2022/23.

3. BACKGROUND

3.1 In accordance with the Accounts and Audit Regulations 2015, the Council is required to prepare annually a statement of accounts. The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) specifies the principles and practices to be followed in order for the accounts to give a "true and fair" view of the financial position, financial performance and cash flows of a local authority.

3.2 The Council's chief financial officer, as the officer appointed by the Council in discharge of its responsibilities under s151 of the Local Government Act 1972, is responsible for preparation of the Council's Statement of Accounts in accordance with the proper practices set out in the Code. In doing so, the chief financial officer is required to select suitable accounting policies and then apply them consistently. Accounting policies are the specific conventions, rules and practices applied in preparing and presenting the financial statements.

4. KEY ISSUES

4.1. The Accounting Policies to be used in preparing the Council's Statement of Accounts 2022/23 are set out at ***Appendix A***. These policies are largely unchanged from those applied in the preparation of the 2021/22 Statement of Accounts. The main changes include:

- The addition of a policy clarifying the appropriate accounting treatment in relation to Joint Arrangements
- The removal of a policy for financial assets measured at fair value through other comprehensive income (FVOCI). This policy is not applicable as the Council does not hold any financial assets within this category.
- Due to the amended accounting treatment of the Council's arrangement with the Mall shopping centre, the policy for *Council as lessee – Finance Leases* is no longer required.

4.2 As part of the audit of local authority accounts for 2020/21 a national issue emerged associated with accounting for infrastructure assets. The issue relates to the derecognition (removal of the carrying amount) of parts of infrastructure assets when replacement expenditure is undertaken and the associated reporting of gross historical cost and accumulated depreciation.

Following the establishment of a task and finish group to address this issue, CIPFA issued its Update to the Code and Specifications for Future Codes for Infrastructure Assets. This was followed by an amendment to The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 ("the 2003 Regulations"), which relates to infrastructure assets. The amendment came into force from 25th December 2022 and applies only in respect of statements of accounts for financial years beginning on or before 1st April 2024, and only in respect of statements of accounts which have not already been certified by a local auditor.

The accounting policy for Property, plant and equipment has been amended to reflect the updated treatment in respect of Infrastructure assets.

5. POLICY IMPLICATIONS

There are no policy implications arising directly from this report

6. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report

7. LEGAL IMPLICATIONS

There are no legal implications arising directly from the contents of this report.

8. RESOURCE IMPLICATIONS

There are no other resource implications arising directly from the contents of this report.

9. EQUALITY AND HEALTH IMPLICATIONS

There are no equality and health implications arising from the contents of this report.

10. CONSULTATIONS

None arising from the contents of this report**.**

11. STATEMENT OF COMPLIANCE

The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality

legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

VERSION:	**0.01**

CONTACT OFFICER:	Julie Jewson – Senior Finance Manager (01254 585893) Simon Ross – Head of Finance (01254 585569)
DATE:	June 2023
BACKGROUND PAPERS:	

Appendix A

Accounting Policies 2022/23

General Principles

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

The accounting concept of going concern assumes that the Council's functions and services will continue in operational existence for the foreseeable future. As local authorities cannot be created or dissolved without statutory prescription, they must prepare their accounts on a going concern basis. The accounting convention adopted in the Statement of Accounts is principally historical cost modified by the revaluation of certain categories of non-current assets and financial instruments.

Accounting policies can be defined as the principles, bases, conventions, rules and practices applied that specify how the transactions and other events are to be reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves.

All accounting policies are disclosed where they are material and reflect the particular circumstances of the Council.

Accruals of income and expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the

Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Business Improvement Districts

There are two business improvement district (BID) schemes applying to defined areas of Blackburn. The schemes are funded by a BID levy paid by non-domestic ratepayers. The Council acts as agent under the schemes and does not, therefore, account for the income received from the BID levy in its Comprehensive Income and Expenditure Statement. Any income derived from the Council's role as agent is credited to the Comprehensive Income and Expenditure Statement.

Cash and cash equivalents

Cash consists of cash in hand and deposits with financial institutions repayable without penalty on notice of no more than twenty four hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. This category includes cash on call and instant access Money Market Funds.

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

Charges to revenue for non-current assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance (i.e. Minimum Revenue Provision or MRP). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Council tax and non-domestic rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for council tax and NDR

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

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

Employee benefits

Benefits payable during employment

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

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement, at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment benefits

Employees of the Council are members of three separate pension schemes:

- Teachers' pension scheme - administered by Capita Teachers' Pensions on behalf of the Department for Education (DfES).
- NHS pension scheme - administered by NHS Business Services Authority on behalf of the Department of Health.
- Local government pension scheme (LGPS) – Pension administration services are provided to the Lancashire County Pension Fund by Local Pensions Partnership, with Lancashire County Council as the Administering Authority.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if they were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Schools and Education DSG line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The Public Health and Wellbeing line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate of 2.1% (based on the indicative rate of return on high quality corporate bonds).
- The assets of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value

The change in the net pension's liability is analysed into the following components:

Component	Description	Treatment
Service costs		
Current service costs	The increase in liabilities as a result years of service earned this year	Allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
Past service costs	The increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years	Debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement - within Non-distributed costs
Net Interest on the net defined benefit liability i.e. interest	The change during the period in the net defined benefit liability that arises from the passage of time. This is calculated by applying the discount rate used to	Charged to the *Financing and investment income and expenditure* line of the

expense for the Council	measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments	Comprehensive Income and Expenditure Statement
Re-measurements		
The return on plan assets	The return on plan assets, excluding amounts included in net interest on the net defined benefit liability.	Charged to the Pensions Reserve as other comprehensive income and expenditure
Actuarial gains and losses	Changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.	Charged to the Pensions Reserve as other comprehensive income and expenditure
Contributions		
Contributions paid to the pension fund	Cash paid as employer's contributions to the pension fund in settlement of liabilities	These are not accounted for as an expense in the Comprehensive Income and Expenditure Statement, but are charged to the General Fund under statutory accounting requirements.

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

Discretionary benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events after the reporting period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category

of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

Financial Instruments

Financial liabilities

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

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

However, the Council has taken some market loans subject to "stepped" interest rates, where the initial rates payable were lower than over the rest of the loan. Interest charges for these loans are averaged out over the life of each loan and effective interest rates are used to calculate their amortised cost for the Balance Sheet. As the loans were taken before 9 November 2007, however, there is no impact on the General Fund Balance as reconciling adjustments are made to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the Financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. However, if the repurchase takes place as part of a restructuring of the loan portfolio that involves a modification or exchange of existing instruments, the premium or discount is deducted from or added to the amortised cost of the new or modified loan. In this scenario the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Council holds financial assets measured at:

- Amortised cost, and
- Fair value through profit or loss (FVPL),

The Council's business model is to hold investments to collect contractual cash flows, financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely repayment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument.

Financial assets measured at amortised cost

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

However, the Council sometimes makes loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective interest rate than the rate receivable from the voluntary organisation, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable in the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Expected credit loss model

The Council recognises expected credit losses on all of its financial assets held at amortised costs, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets.

Impairment losses are calculated to reflect the expectation that future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. In practice, for trade receivables, unless it is known that a counterparty is at risk of going into administration the calculation is largely based on age of debt and amount of debt overdue.

Financial assets measured at fair value through profit or loss (FVPL)

Financial assets that are measured at FYPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services.

These assets relate to financial instruments where the amounts received relating them are not solely principal and interest (e.g. Money Market Funds or equity investments not designated as a strategic investment).

Fair value measurements of financial assets

The fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Council's financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- The inputs to the measurement techniques are categorised in accordance with the following three levels:
- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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

Fair value measurement of non-financial assets

The Council's policy for fair value measurement of financial assets is set out in the previous section (Financial Instruments). The Council also measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments, such as equity shareholdings, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

Government grants and contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Grants received in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income and expenditure (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Heritage Assets

The Council's Heritage assets are held by the Council in support of the primary objective of increasing the knowledge, understanding and appreciation of the Borough's history and local area. They include collections of art, books and manuscripts, civic regalia and other artefacts, which are held in Blackburn museum and art gallery, Blackburn town hall, Turton Tower and the Council's libraries. Heritage assets are recognised and measured largely in accordance with the Council's accounting policies on property, plant and equipment although there is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations. Heritage assets are recognised in the Balance Sheet at the insurance valuation quoted in the Council's "All risks" policy for the twelve month period commencing the 1 April immediately after the balance sheet date.

The schedule of items held within this category is reviewed each year and adjusted for additions, deletions or impairments (e.g. where an item has suffered physical deterioration, or breakage or where doubts arise as to its authenticity). These assets have an indeterminate life and are subject to appropriate conservation measures, therefore, depreciation is not charged on heritage assets.

The museum recognises its responsibility to work within the parameters of the Museum Association Code of Ethics when considering acquisition and disposal. If an item becomes unsuitable for the collections it may be transferred to a more suitable venue, which is likely to be another museum or gallery. There is a process for removing items from a museum's collection which is very controlled and specific. The guiding principal for this is the Disposal Digest put together by the Museums Association and available on their web site.

Heritage assets such as Darwen Jubilee Tower, the War Memorial and various statues have not been recognised in the Balance Sheet as recent information on cost is not available or the cost of obtaining the information outweighs the benefit to the users of the financial statements.

Historic buildings that have been identified as having heritage characteristics are all used by the Council for operational purposes and are accounted for within the Council's Balance Sheet as property, plant and equipment. Examples include Blackburn Town Hall, King George's Hall, Blackburn Museum, Lewis Textile Museum, Corporation Park Conservatory and Turton Tower.

Intangible Assets

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meet this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other operating expenditure line in the Comprehensive Income and Expenditure Statement.

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

Inventories and Long-term contracts

The Council's inventories are valued on a variety of bases depending on the nature of the items involved. These bases include cost, average cost and first in first out. The Code requires inventories to be included in the Balance Sheet at the lower of cost and net realisable value. The different treatment of stocks is not considered to be material.

Long-term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Industrial and commercial properties held by the Council are not considered to be held solely to earn rentals and/or for capital appreciation. Rather, they are held for regeneration, planning reasons and estate management and, therefore, have been classified as property, plant and equipment.

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

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

Joint Arrangements

Joint Arrangements are arrangements in which two or more parties have joint control bound by a contract. A Joint Arrangement can be classified as:

- A Joint Venture – This is an arrangement under which two or more parties contractually agree to share control, such that decisions about activities of the entity require consent from all parties. Material interests in Joint Ventures would ordinarily necessitate the completion of group accounts using the equity method of consolidation.
- A Joint Operation – This is an arrangement under which parties that have joint control have the rights to the assets and obligations for the liabilities relating to the arrangement. Under such arrangements the Council recognises the assets and liabilities it controls on the Balance Sheet and debits/credits the Comprehensive Income and Expenditure Statement for its proportion of any expenditure incurred/income received.

Leases

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

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

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

The Council as lessee

Operating leases

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

The Council as lessor

Finance leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement as income to the services responsible for the management and maintenance of the leased property, plant and equipment. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium at the commencement of a lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis of rental income.

Private Finance Initiatives (PFI) and similar contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts in its Balance Sheet as part of property, plant and equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement

- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- lifecycle replacement costs – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

Prior period adjustments, changes in accounting policies and estimates, and errors

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

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

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

Property, Plant and Equipment (PPE)

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

Property, Plant and Equipment other than highways infrastructure assets

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. The Council only capitalises items that exceed the de minimis threshold of £10,000. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price, and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

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

- Assets under construction - historical cost
- Surplus Assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- Land and buildings and other operational assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

PPE asset	Depreciation basis
Operational buildings	straight line allocation over the useful life of the property as estimated by the valuer
Vehicles, plant, furniture and equipment	straight line allocation over 1-20 years, as advised by a suitably qualified officer

The standard approach is that newly acquired assets are not depreciated in the year of acquisition, and assets in the course of construction are not depreciated until they are brought into use. An exception to this is in respect of vehicles purchased outright when this represents better value for money than leasing. Depreciation is also charged on PFI schemes in the year the asset is recognised on the Balance Sheet, in order to be consistent with the minimum revenue provision (MRP) calculation. In these cases a full year’s depreciation is charged in the initial year.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and derecognition

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to former housing disposals is payable to the government. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserve Statement

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

Highways infrastructure assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably.

Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 (for England and Scotland), which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are assessed by the Chief Highways Engineer using industry standards where applicable as follows:

Part of the highways network	Useful life
Carriageways	25 years
Footways, cycle tracks and public realm	40 years
Structures (bridges, and culverts)	120 years
Street lighting	25 years
Street furniture	Bus shelters 15 years and other assets 40 years
Traffic management systems	20 years
Traffic calming	15 years

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the *Other operating expenditure* line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

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

Provisions, Contingent Liabilities and Contingents Assets

Provisions

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

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

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

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

Contingent liabilities

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

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

Contingent assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Reserves

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

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

Revenue expenditure funded from capital under statute (REFCUS)

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

Schools

The Code confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the Council. This includes community, voluntary controlled, voluntary aided, foundation, community special, foundation special and nursery schools. The Code also stipulates that these schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (i.e. the single entity accounts rather than group accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

The accounting treatment of land and buildings in relation to schools is based on the legal framework underlying each type of school. The Council controls the management and running of community and foundation schools (where the foundation school is subject to a PFI contract), and therefore the land and buildings of those schools are included within property, plant and equipment on the Council's Balance Sheet.

The land and buildings of voluntary aided, voluntary controlled, foundation (not subject to a PFI contract), academy and free schools are owned and controlled by the trustees of the schools or the foundation body and are, therefore, not shown on the Council's Balance Sheet.

Capital expenditure on community schools is added to the balances for those schools as reported in the property, plant and equipment note. Capital expenditure on voluntary aided and foundation schools is treated as Revenue Expenditure Funded from Capital under Statute (REFCUS) and written off each year to the Comprehensive Income and Expenditure Statement within School's and Education Services (Non-DSG).

Dedicated Schools Grant (DSG) is credited to the Comprehensive Income and Expenditure Statement within taxation and non-specific grant income based on amounts due from the Department for Education. (Further details are provided in Note 7).

DSG is allocated between centrally retained Council budget and budgets delegated to individual schools. Expenditure from centrally retained budgets and delegated schools budgets is charged to the Comprehensive Income and Expenditure Statement under School's and Education Services (DSG). Academies are funded directly from the Government, not via the local authority apart from funding for pupils with high needs. Income and expenditure in relation to academies is therefore not charged to the Comprehensive Income and Expenditure Statement.

Individual schools' balances for local authority maintained schools at the year-end are included in reserves in the Council's Balance Sheet.

Value Added Tax (VAT)

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

TO:	Audit & Governance Committee
FROM:	Head of Finance
DATE:	11th July 2023

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Assessment of Going Concern Status

1. PURPOSE

1.1 This report informs the Committee of an assessment of the Council as a 'going concern' for the purposes of producing the Statement of Accounts 2022/23.

2. RECOMMENDATIONS

2.1 The Committee is recommended to accept the outcome of the assessment made of the Council's status as a 'going concern' for the purposes of preparing the Statement of Accounts for 2022/23.

3. BACKGROUND

3.1 The concept of a 'going concern' assumes that an Authority, its functions and services will continue in operational existence for the foreseeable future. This assumption underpins the Statement of Accounts drawn up under the Local Authority Code of Accounting Practice and is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government).

3.2 If an Authority were in financial difficulty, the prospects are that alternative arrangements would be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

3.3 Where the 'going concern' concept is not the case, particular care would be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept would potentially have a fundamental impact on the financial statements.

3.4 As with all principal local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2022/23 (hereafter referred to as the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code, the Council's Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business.

3.5 The Code guidance for 2022/23 remains largely unchanged from previous years and contains the following provisions in respect of the concept of a going concern:

Going concern – local authorities

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. The Code confirms that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. ***As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis****. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.*

Practitioners have in the past been concerned that the abolition of an authority or the transfer of some of its services could bring the going concern assumption into question. However, paragraph 3.4.2.23 of the Code makes clear that combinations of public sector bodies are not to be taken as negating the presumption of going concern. Even though assets are to be taken from the authority, with perhaps no compensation, the continued use of the property for the public benefit means that the authority does not need to consider the restriction on its own ability to make use of the property from the going concern perspective.

The substantial resource issues that some authorities may be experiencing do not negate the presumption of going concern, even though there might be a tension between the going concern assumption and those resource issues. Authorities should ensure that, where required, appropriate reference to financial resilience and sustainability is included in the relevant reports. The authority's relevant officers (e.g. the Responsible Finance Officer and Monitoring Officer) must also ensure that they comply with their statutory and professional duties in respect of reporting such resourcing issues.

On a smaller scale, there may be occasions where part of an authority's operations ceases to be viable or affordable. For example, a trading unit might curtail its activities, requiring stocks to be written down and provisions set up for redundancy payments and other costs of closure. However, this will not give rise to a going concern issue for the authority, the impact being restricted to the results of the trading unit.

3.6 The requirement to use the going concern basis of accounting means that authorities do not have to apply paragraph 25 of International Accounting Standard 1 Presentation of Financial Statements mandating management to make an assessment of the authority's ability to continue as a going concern. That said, in view of the concerns generally regarding the financial pressures facing local government, the report author has undertaken such an assessment for the purposes of the 2022/23 Statement of Accounts only. The main factors which underpin this assessment are outlined below and include the following:-

- The Council's current financial position;
- The Council's projected financial position – Medium Term Financial Plan (MTFP);
- The Council's governance arrangements;
- The regulatory and control environment applicable to the Council as a local authority.

4. KEY ISSUES

The Council's current financial position (revenue)

Financial Year 2022/23

4.1 At the meeting of the Executive Board on 6th July 20223, Councillors were provided with the Outturn position for the Council's General Fund Revenue Budget for 2022/23. The FINAL outturn position on the Revenue Budget was an overspend of £0.045m.

4.2 On the basis of this outturn position, the Council revenue reserves as at the 31st March 2023 £74.216m

Financial Year 2023/24

4.3 In February 2023, the Council approved a balanced budget for 2023/24. This allows for net spending of £171.128m and required a Council Tax increase of 2.99%, an increase in the Social Care Precept of 2.0%, savings of £3.716m and the use of £10.250m from reserves.

4.4 Whilst the budget for the financial year 2023/24 is balanced, the underlying pressures on the Council's funding means that the Council's financial sustainability remains under pressure. As required by statute, the Council has in place good arrangements for monitoring its budget with reports considered by the Executive on a quarterly basis.

The Council's current financial position (capital)

4.5 Details of the capital outturn for 2022/23 were reported to the Executive Board on 6th July 2023. The report highlighted significant slippage of expenditure on the approved Capital Programme for the year albeit that this was matched by slippage on Capital Resources. Of the resources carried forward, c £12m reflects a borrowing requirement, the impact of which has been factored into the Council's MTFP.

4.6 The Council has a well-established process for the development and delivery of the Capital Strategy (the latest version of which was approved by Finance Council at its meeting on 28th February). This approach ensures that the Council maintains a Capital Programme which is prudent and sustainable whilst acknowledging that the underlying need for capital spending continues to exceed the level of Capital Resources available.

4.7 In this respect, whilst the Council's Capital Financing Requirement (which represents the underlying need to borrow for capital investment) does increase over the life of the Medium Term Capital Programme to 2025/26, 'new' borrowing is limited to an amount that maintains the in-year Minimum Revenue Provision at an affordable level.

The Council's Balance Sheet as at 31st March 2023

4.8 A financial overview will form part of the Narrative Report to be included within the draft Statement of Accounts for 2022/23. This will include reference to the Council's balance sheet as at 31st March 2023.

4.9 In finalising the Council's balance sheet, detailed consideration will be given to a wide range of matters to ensure it is robust and soundly based including the following:-

- an assessment of asset valuations based on the latest information;
- review of debts owed to the Council;
- the adequacy of risk-assessed provisions for doubtful debts and, in relation to business rates, of provisions for appeals;
- the range of reserves set aside to help manage expenditure;
- An adequate risk-assessed working balance to meet unforeseen expenditure.

The Council's Financial Strategy and Medium Term Financial Plan (MTFP)

4.10 The Council's Financial Strategy was approved at Finance Council on 27th February 2023. It provides a framework for the delivery of a sustainable budget over the medium term. The Strategy includes, for context, a review of the environment the Council is operating within, an assessment of the Council's current financial positions, details of the Council's Medium Term Financial Plan (MTFP) and the assumptions upon which it is based, those matters that are likely to affect the Council's finances and an outline strategy – Grow, Charge, Save, Stop – which, if implemented, should lead to the Council having a sustainable budget over the medium term.

4.11 The MTFP is updated at least annually and reflects a three year assessment of the council's spending plans and associated funding. It includes the ongoing implications of approved budgets and service levels and the revenue costs of the Council's Capital Programme, as well as the management of debt and investments. An update on the Council's MTFP covering the three year period 2023/24 to 2025/26 was reported to Finance Council in February 2023. The Plan is underpinned by various assumptions, details of which were included in the Financial Strategy together with an assessment of the main risks to the plan and some scenario planning.

4.12 In this context, Councillors will be aware of the progress made on the implementation of savings in previous budget rounds. It is considered that most of the savings which can readily be achieved have been made and that any subsequent proposals will be challenging. As set out by the Local Government Association in their report following a Peer Review of the Council, the Council should '*take a whole Council approach to the budget process across different service and portfolio areas to ensure resources align to key priorities and desired outcomes*'.

4.13 Work on the development of options to address future year's budget gaps are ongoing. The Council has a good track record of delivering savings

The Council's governance arrangements

4.14 The Council has a well-established and robust corporate governance framework. This includes the statutory elements such as the posts of Chief Executive (as Head of Paid Service), Corporate Director (Monitoring Officer) and Chief Finance Officer (as s151 Officer), this role currently being undertaken by the chief Executive Officer whilst the role of Chief Finance Officer is temporarily vacant.

4.15 An overview of this governance framework forms part of the Annual Governance Statement which will be published as part of the Statement of Accounts for 2022/23 later in the year. This will include a detailed review of the effectiveness of the Council's governance arrangements. These matters are overseen by the Council's (Officer) Statutory Governance Officers Group and reported to this Committee in due course.

4.16 Whilst it is not possible to provide absolute assurance the review process has in previous years concluded that our existing arrangements remain fit for purpose and help provide reasonable assurance of their effectiveness.

The external regulatory and control environment

4.17 As a principal local authority the Council has to operate within a highly legislated and controlled environment. An example of this is the requirement for a balanced budget each year combined with the legal requirement for Council to have regard to consideration of such matters as the robustness of budget estimates and the adequacy of reserves. In relation to the latter, a report on this matter was considered by Finance Council at its meeting on 27th February 2023.

4.18 In addition to the legal framework and central government control there are other factors such as the role undertaken by External Audit, inspection regimes led by Ofsted and the Care Quality Commission as well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies.

4.19 Against this backdrop it is considered unlikely that a local authority would be 'allowed to fail' with the likelihood being, when faced with such a scenario, that central government would intervene supported by organisations such as the Local Government Association to bring about the required improvements or help maintain service delivery. Indeed, over recent years, this has been case with a number of Councils (for example, Croydon, Slough and Luton, each of which have received support from the Government).

Conclusions

4.20 It is considered that having regard to the Council's arrangements and such factors as highlighted in this report that, for the purposes of producing the Statement of Accounts for 2022/23, the Council remains a going concern in 2022/23 and the for the following 12 months. This assessment is based on information available at the time of writing this report.

An updated assessment will be carried out each financial year with the outcome reported to the Committee.

5. POLICY IMPLICATIONS

5.1 There are no policy implications arising directly from this report.

6. FINANCIAL IMPLICATIONS

6.1 There are no financial implications arising directly from this report.

7. LEGAL IMPLICATIONS

7.1 There are no legal implications arising directly from the contents of this report.

8. RESOURCE IMPLICATIONS

8.1 There are no other resources implications arising from the contents of this report.

9. EQUALITY AND HEALTH IMPLICATIONS

9.1 There are no equality and health implications arising from the contents of this report.

10. CONSULTATIONS

10.1 None arising from the contents of this report.

11. STATEMENT OF COMPLIANCE

11.1 The recommendation in this report is made further to advice from the Monitoring Officer.

VERSION:	1

CONTACT OFFICER:	Simon Ross – Head of Financial Services
DATE:	June 2023
BACKGROUND PAPERS:	

BLACKBURN with DARWEN BOROUGH COUNCIL

REPORT to :	Audit & Governance Committee
LEAD OFFICER:	Chief Executive
DATE:	11th July 2023

WARD/S AFFECTED: All

Treasury Management Annual Report 2022/23

1. PURPOSE

To formally report the Treasury Outturn position for 2022/23, as also reflected in the 2022/23 Outturn Corporate Monitoring Report (6th July Executive Board).

2. RECOMMENDATIONS

That the Audit and Governance Committee note the Treasury Management position for financial year 2022/23 including the period from January 2023 to March 2023.

3. BACKGROUND

3.1 In March 2022, the Council agreed a Treasury Management Strategy and Minimum Revenue Provision (MRP) Policy for 2022/23.

3.2 The CIPFA Treasury Management Code requires the Council to approve a Treasury Management Strategy (including various Treasury Management indicators) before the start of each financial year, and to consider the outturn after each year-end. This report is to update Audit and Governance Committee on the overall outturn position for 2022/23.

4. KEY ISSUES AND RISKS

4.1 <u>Treasury Priorities</u>

The Council has operated within CIPFA and statutory guidance and requirements in respect of Treasury Management practice. The approved Treasury Management Policy Statement, together with the more detailed Treasury Management Practices and each year's Annual Strategy have all emphasised the importance of security and liquidity over yield.

5. 2022/23 OUTTURN

5.1 Original Strategy for 2022/23

5.1.1 The Strategy for 2022/23 was approved by Executive Board on 10th March 2022. An update to the Prudential and Treasury Management Indicators, following the decision to delay the adoption of the new IFRS 16 Leases accounting standard, was approved by Executive Board on 8th September 2022. This update did not change the main aspects of the strategy, which are outlined below:

- We would seek to minimise borrowing costs, in the context of the Council's long-term debt being considerably lower than its accumulated Capital Financing Requirement, with the difference to be covered by the use of short-term borrowing and any available balances.

- Long-term borrowing would only be taken if it became apparent that there was a risk of significantly increased interest rates, and then only if available balances were not thought to be sufficient to manage the Capital Financing Requirement until rates stabilised and / or reduced.

- Any balances over and above those required to maintain basic liquidity could be invested in either the medium term (out to a year) or the longer term (over a year), with priority to be given to security of funds and liquidity (accessibility) over yield (or return).

- The limits to investment by reference to amount, duration and credit rating were largely unchanged from those applying in previous years.

5.2 External Context

Economic Background

5.2.1 The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.

5.2.2 Central Bank rhetoric and actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.

5.2.3 Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February. Annual headline CPI registered 10.4% in February, up from 10.1% in January, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in October. In February, RPI measured 13.8%, up from 13.4% in the previous month.

5.2.4 Following the decision by the UK government under Rishi Sunak and Jeremy Hunt to reverse some of the support to household energy bills announced under Liz Truss, further support in the form of a cap on what energy suppliers could charge household was announced in the March Budget to run from April until the end of June 2023. Before the announcement, typical household bills had been due to rise to £3,000 a year from April.

5.2.5 The labour market remained tight albeit with some ongoing evidence of potential loosening at the end of the period. The unemployment rate 3mth / year eased from 3.8% April-June to 3.6% in the following quarter, before picking up again to 3.7% between October-December. The most recent information for the period December-February showed an unemployment rate of 3.7%.

5.2.6 The inactivity rate was 21.3% in the December-February quarter, slightly down from the 21.4% in the first quarter of the financial year. Nominal earnings were robust throughout the year, with earnings growth in December-February at 5.7% for both total pay (including bonuses) and 6.5% for regular pay. Once adjusted for inflation, however, both measures were negative for that period and have been so throughout most of the year.

5.2.7 Despite household budgets remaining under pressure, consumer confidence rose to -36 in March, following readings of -38 and -45 in the previous two months, and much improved compared to the record low of -49 in September. Quarterly GDP was soft through the year, registering a 0.1% gain in the April-June period, before contracting by (an upwardly revised) -0.1% in the subsequent quarter. For the October-December period it was revised upwards to 0.1% (from 0.0%), illustrating a resilient but weak economic picture. The annual growth rate in Q4 was 0.6%.

5.2.8 The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps (basis points, or 0.01 of a %) in December and February and then 25bps in March, taking Bank Rate to 4.25%. March's rise was voted by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. The February vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold.

5.2.9 After reaching 9.1% in June, annual US inflation slowed for eight consecutive months to 6% in February. The Federal Reserve continued raising interest rates over the period with consecutive increases at each Federal Open Market Committee meetings, taking policy rates to a range of 4.75%- 5.00% at the March meeting.

5.2.10 From the record-high of 10.6% in October, Eurozone CPI inflation fell steadily to 6.9% in March 2023. Energy prices fell, but upward pressure came from food, alcohol, and tobacco. The European Central Bank continued increasing interest rates over the period, pushing rates up by 0.50% in March, taking the deposit facility rate to 3.0% and the main refinancing rate to 3.5%.

Financial Markets

5.2.11 Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility.

5.2.12 Over the period, the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September before ending the financial year at 3.36%. Over the same timeframe, the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.49%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 3.82%. The Sterling Overnight Rate (SONIA) averaged 2.24% over the period.

Credit Review

5.2.13 Early in the period, Moody's affirmed the long-term rating of Guildford BC but revised the outlook to negative. The agency also downgraded Warrington BC and Transport for London.

5.2.14 In July, Fitch revised the outlook on Standard Chartered and Bank of Nova Scotia from negative to stable and in the same month Moody's revised the outlook on Bayerische Landesbank to positive. In September, S&P revised the outlook on the Greater London Authority to stable from negative and Fitch revised the outlook on HSBC to stable from negative.

5.2.15 The following month Fitch revised the outlook on the UK sovereign to negative from stable. Moody's made the same revision to the UK sovereign, following swiftly after with a similar move for a number of local authorities and UK banks including Barclays Bank, National Westminster Bank (and related entities) and Santander.

5.2.16 During the last few months of the reporting period, there were only a handful of credit changes by the rating agencies, and then in March the collapse of Silicon Valley Bank (SVB) in the US quickly spilled over into worries of a wider banking crisis as Credit Suisse encountered further problems and was bought by UBS.

5.2.17 Credit Default Prices had been rising since the start of the period on the back of the invasion of Ukraine, and in the UK rose further in September / October at the time of the then-government's mini budget. After this, CDS prices had been falling, but the fallout from SVB caused a spike on the back of the heightened uncertainty. However, they had moderated somewhat by the end of the period as fears of contagion subsided, but many are still above their pre-March levels reflecting that some uncertainty remains.

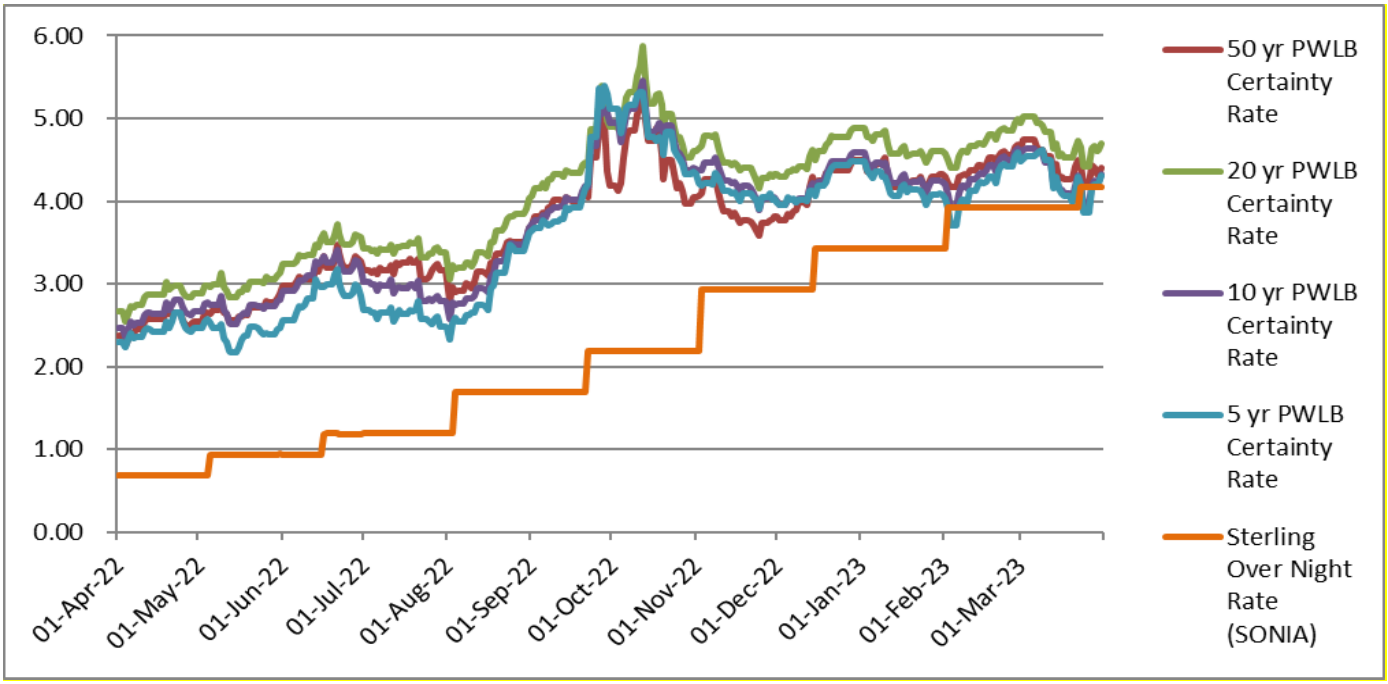
5.2.18 On the back of this our treasury management advisor, Arlingclose, reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks / institutions on its counterparty list to 35 days as a precautionary measure. No changes were made to the names on the list.

5.2.19 As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

5.2.20 Local authorities remain under financial pressure, but Arlingclose continues to take a positive view of the sector, considering its credit strength to be high. Section 114 notices have been issued by only a handful of authorities with specific issues. While Arlingclose's advice for local authorities on its counterparty list remains unchanged, a degree of caution is merited with certain authorities.

5.2.21 The pattern of interest rates over the year is summarised in the chart below. Local government long-term borrowing costs are set by the Public Works Loan Board (PWLB) - these directly mirror gilt yields. Nominal investment rates, measured through the Sterling Over Night Rate (SONIA), are also shown.

Interest Rate Movements in 2022/23 –



5.3 Revised CIPFA Codes, Updated PWLB Lending Facility Guidance

5.3.1 In August 2021 HM Treasury significantly revised guidance for the PWLB lending facility with more detail and 12 examples of permitted and prohibited use of PWLB loans. Authorities that are purchasing or intending to purchase investment assets primarily for yield can now no longer access the PWLB except to refinance existing loans or externalise internal borrowing. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

5.3.2 CIPFA published its revised Prudential Code for Capital Finance and Treasury Management on 20th December 2021. The key changes in the two codes were around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.

5.3.3 The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023/24 financial year if they wished. The Council took advantage of the option to defer introducing the revised reporting requirements until the 2023/24 year.

5.3.4 To comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. This Code also states that it is not prudent for local authorities to make investment or spending decisions that will increase the Capital Financing Requirement (CFR) unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.

5.3.5 Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes aligned the CIPFA Prudential Code with the PWLB lending rules.

5.3.6 Unlike the Prudential Code, there was no mention of the date of initial application in the Treasury Management Code. The Treasury Management Code now includes additional requirements for service and commercial investments, beyond those in the 2017 version. The Authority followed the same process as the Prudential Code, i.e. delayed changes in reporting requirements to the 2023/24 financial year.

5.3.7 Given the nature of the Council's present and forecast capital investment and related borrowing decisions, aside from the changes to reporting requirements, it is unaffected by these changes.

5.4 Treasury Management Performance 2022/23

5.4.1 By 31st March 2023, the Council had net borrowing of around £87M, arising from its revenue and capital income and expenditure, a decrease of £32M from the previous year.

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in the table below.

Table 1: Balance Sheet Summary

	31 Mar 2022 £M	2022/23 Movement £M	31 Mar 2023 £M
General Fund CFR	289.6	(8.4)	281.2
Less: CFR re Debt -			
Managed by Lancashire County Council (LCC)	(14.9)	0.1	(14.8)
Re Private Finance Initiative (PFI) Arrangements	(69.1)	0.2	(68.9)
Loans / Borrowing CFR	**205.6**	**(8.1)**	**197.5**
Less: Usable Reserves and Working Capital	(86.0)	(24.3)	(110.3)
Net Borrowing (excludes LCC and PFI debt)	**119.6**	**(32.4)**	**87.2**

5.4.2 High interest rates have increased the cost of short-term, temporary loans; however, no new borrowing was taken during the year. Investment returns from cash assets that may be used in lieu of borrowing have also increased, and the Authority has felt the benefit of this. The Authority pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

5.4.3 The treasury management position at 31st March 2023 and the change during the year is shown in the table below:

Table 2: Treasury Management Summary

	31 Mar 2022 Balance £M	Movement £M	31 Mar 2023 Balance £M	31 Mar 2023 Rate %
Long-term Borrowing	141.8	(3.8)	138.0	3.9%
Short-term borrowing	20.0	(20.0)	0.0	
Other Debt (PFI and Debt Managed by LCC)	72.7	(2.5)	70.2	
Total Borrowing	**234.5**	**(26.3)**	**208.2**	
Short-term Investments	10.0	23.5	33.5	3.5%
Cash and Cash Equivalents	32.2	(14.9)	17.3	4.1%
Total Investments	**42.2**	**8.6**	**50.8**	
Net Borrowing	**192.3**	**(34.9)**	**157.4**	

5.4.4 In summary, the key changes to the Council's overall debt position across the year were:

(a) A decrease in the level of short term borrowing, from £20.0M to nil,
(b) Principal repayments of £3.6M on PWLB EIP (Equal Instalment of Principal) loans,
(c) Repayments of part of the outstanding PFI debt recognised on the balance sheet for Building Schools for the Future (BSF), and of debt managed by LCC.

No debt rescheduling was undertaken, because the premiums payable on early repayment of PWLB and Market debt made it uneconomic to do so.

5.4.5 No short-term loans were taken during the year, and investment balances have continued to be unusually high, impacted by significant capital grant funding being received in advance of scheme expenditure.

5.4.6 In summary, the outturn position in respect of interest costs and income, and MRP charges, was as follows:

Table 3: Treasury Revenue Outturn 2022/23

Outturn 2021/22 £'000		Original Budget 2022/23 £'000	Outturn 2022/23 £'000	Variance to Budget 2022/23 £'000
5,584	Interest paid on borrowing – long term debt	5,511	5,531	20
163	Interest paid on borrowing – short term debt	1,092	104	(988)
184	Interest paid on debt managed by LCC	290	357	67
5,723	PFI interest paid	5,697	5,731	34
(54)	Interest – treasury / other minor elements	(25)	(1,315)	(1,290)
5,814	MRP on Council borrowing	6,060	5,792	(268)
194	MRP on PFI debt	210	210	0
209	MRP on debt managed by LCC	152	188	36

5.4.7 Interest paid on borrowing in 2022/23 was around £1M less than the original estimate, reflecting the decision not to take any additional debt during the year.

5.4.8 The average investment balance over the year has increased to £66M (£61M in 2021/22). Investment balances have remained high during this year, largely due to the timing of funds received from central government and significant capital grants received in advance of spend being incurred, including Darwen Town Deal and Levelling Up funding. (See Weekly Balances **Appendix 1**).

5.4.9 Investment interest rates were relatively high at the beginning of the year and increased throughout in line with Bank Rate rises. Funds have continued to be invested for short periods, and sometimes with the government's Debt Management Office, to manage risk. Despite this low risk approach, interest earned on treasury cash investments has been extremely high during the year, increasing from £0.05M in 2021/22 to £1.3M in 2022/23.

5.4.10 The Council's investment return over the period from January 2023 to March 2023 was approximately 3.35%. For comparison, the Sterling Overnight Rate (SONIA) over the same period averaged 3.77%.

5.4.11 The average rate of return for the whole financial year was 1.98% (against 0.08% in 2021/22).

5.5 Borrowing Update

5.5.1 The Authority was not planning to borrow to invest primarily for commercial return and so is unaffected by the changes to the Prudential Code.

5.5.2 At 31st March 2023, the authority held £208.2M of loans, a decrease of £26.3M compared to 31st March 2022, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31st March are summarised in the table below:

Table 4: Borrowing Position

	31 Mar 2022 Principal (£M)	**Rate / Return**	**Average Life (Yrs)**	**31 Mar 2023 Principal (£M)**	**Rate / Return**	**Average Life (Yrs)**
Fixed Rate Funding:						
Public Works Loan Board	123.5	3.79%	17.4	120.0	3.84%	16.9
Market Debt (Long Term)	10.3	4.45%	31.9	10.0	4.47%	31.6
Market Debt (Short Term)	20.0	0.61%		0.0		
	153.8			**130.0**		
Variable Rate Funding:						
Public Works Loan Board	0.0			0.0		
Market Debt	8.0	4.50%	19.0	8.0	4.50%	18.0
	8.0			**8.0**		
Loans Taken by Blackburn with Darwen Borough Council	**161.8**			**138.0**		
Debt from PFI Arrangements	59.7			57.5		
Debt Managed by LCC	13.0	1.82%		12.7	2.80%	
Total Debt	**234.5**			**208.2**		

5.5.3 The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should long-term plans change being a secondary objective.

5.5.4 In-keeping with these objectives, no new borrowing was taken during the year, while £23.6M of existing loans were allowed to mature without replacement. This strategy enabled the Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

5.5.5 **LOBO loans**: The Authority continues to hold £13M of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the year.

5.6 Treasury Investment Update

5.6.1 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20th December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

5.6.2 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged between £42M and £85M due to timing differences between income and expenditure.

5.6.3 In addition to funds placed with the Government's Debt Management Account Deposit Facility (at 2.98 - 4.00%), the following fixed term investments were held between January 2023 and March 2023:

Start Date	End Date	Counterparty	Amount £	Rate
22-Aug-22	21-Aug-23	West Dunbartonshire Council	5,000,000	2.10%
19-Sep-22	18-Sep-23	Moray Council	5,000,000	2.00%
14-Nov-22	14-Feb-23	Cornwall Council	5,000,000	2.95%
13-Feb-23	15-May-23	Wirral MBC	5,000,000	4.00%
14-Feb-23	15-May-23	Cornwall Council	5,000,000	3.88%
27-Feb-23	30-May-23	Cheshire East Council	5,000,000	4.00%
06-Mar-23	06-Jun-23	Blackpool Council	5,000,000	4.10%
27-Mar-23	27-Sep-23	Cheltenham Borough Council	5,000,000	4.65%

5.6.4 The overall investment position as at 31st March 2023 is shown in the table below.

Table 5: Treasury Investment Position

	31 Mar 22 Balance £M	Movement £M	31 Mar 2023 Balance £M	31 Mar 2023 Income Return %
Banks and Building Societies (unsecured)	3.1	(3.1)	0.00	0.7%
Government (incl Local Authorities)	10.0	23.5	33.5	3.5%
Money Market Funds	29.1	(11.8)	17.3	4.1%
Total Investments	**42.2**	**8.6**	**50.8**	**3.7%**

5.6.5 Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

5.6.6 Higher returns on cash instruments followed the increases in Bank Rate throughout the year, and at 31st March, the 1-day return on the Authority's MMFs ranged between 3.97% and 4.12%.

5.6.7 Similarly, deposit rates with the Debt Management Account Deposit Facility (DMADF) increased significantly throughout the year and by 31st March were between 4.05% and 4.15% depending on the deposit maturity. The average return on the Authority's DMADF deposits during the year was 2.09%.

5.7 Compliance

5.7.1 The Chief Executive as Interim Section 151 Officer reports that all treasury management activities during the year complied fully with the CIPFA Code of Practice and have complied with the Authority's approved Treasury Management Strategy.

5.7.2 The position with regard to performance against Treasury / Prudential Indicators in 2022/23 is summarised in **Appendix 2 and 3**. There was no breach of the Authorised Borrowing Limit or the Operational Boundary (set for management purposes).

Outturn capital spend was £15.6M, which is below the £35.7M anticipated at the start of the year.

5.8 Treasury Management Consultancy

5.8.1 The Council is contracted up to 31st March 2026 to receive treasury management support from Arlingclose Limited. They provide advice and information on the Council's investment and borrowing activities, although responsibility for final decision-making remains with the Council and its officers.

5.8.2 Over the period, in providing support to the Council, Arlingclose have provided ongoing officer training; support for and review of treasury decisions, reports and strategies; feedback on accounting for treasury activities; benchmarking with other authorities; guidance on borrowing and investment opportunities; forecasts of interest rates; and regular updates on credit ratings and other information on credit quality. The quality of the support provided has been of a high standard.

5.9 Other

5.9.1 ***IFRS 16***: The implementation of the new IFRS 16 Leases accounting standard was due to come into for force for local authorities from 1st April 2022. Following a consultation CIFPA / LASAAC announced an optional two-year delay to the implementation of this standard, a decision that was confirmed by the Financial Reporting Advisory Board in early April 2022. Authorities can now choose to adopt the new standard on 1st April 2022, 1st April 2023 or 1st April 2024. The Authority intends to adopt the new standard on 1st April 2024.

6. Risk Management

6.1 The Council's key priorities for managing its investments are the security and liquidity of its funds, before seeking the best rate of return. Most surplus cash is therefore held as short-term investments with the UK Government, highly rated banks and pooled funds.

6.2 The Council's primary objective for the management of its debt is to ensure its long-term affordability. The largest part of its loans is from the Public Works Loan Board at long-term fixed rates of interest.

6.3 A combination of short duration investments and long duration debt exposes the Council to the risk of falling investment income during periods of low interest rates. However, the risk of low investment returns is considered to be of lower priority compared to the benefits of optimising the security and liquidity of investments, and the savings made on borrowing costs.

7. FINANCIAL IMPLICATIONS

The financial implications arising from the 2022/23 Treasury Outturn have been incorporated into the body of this report.

8. LEGAL IMPLICATIONS

8.1 Under the Local Government Act 2003, local authorities determine locally their levels of capital investment and associated borrowing. The Prudential Code has been developed to support local authorities in taking these decisions, and the Council is required by Regulation to have regard to the Code when carrying out its duties under Part 1 of the Local Government Act 2003.

8.2 The Department for Communities and Local Government issued Guidance on Local Government Investments, under the Local Government Act 2003, effective from 1st April 2010. Authorities must manage their investments within an approved strategy, setting out what categories of investment they will use and how they will assess and manage the risk of loss of investments.

9. POLICY IMPLICATIONS, RESOURCE IMPLICATIONS, CONSULTATIONS

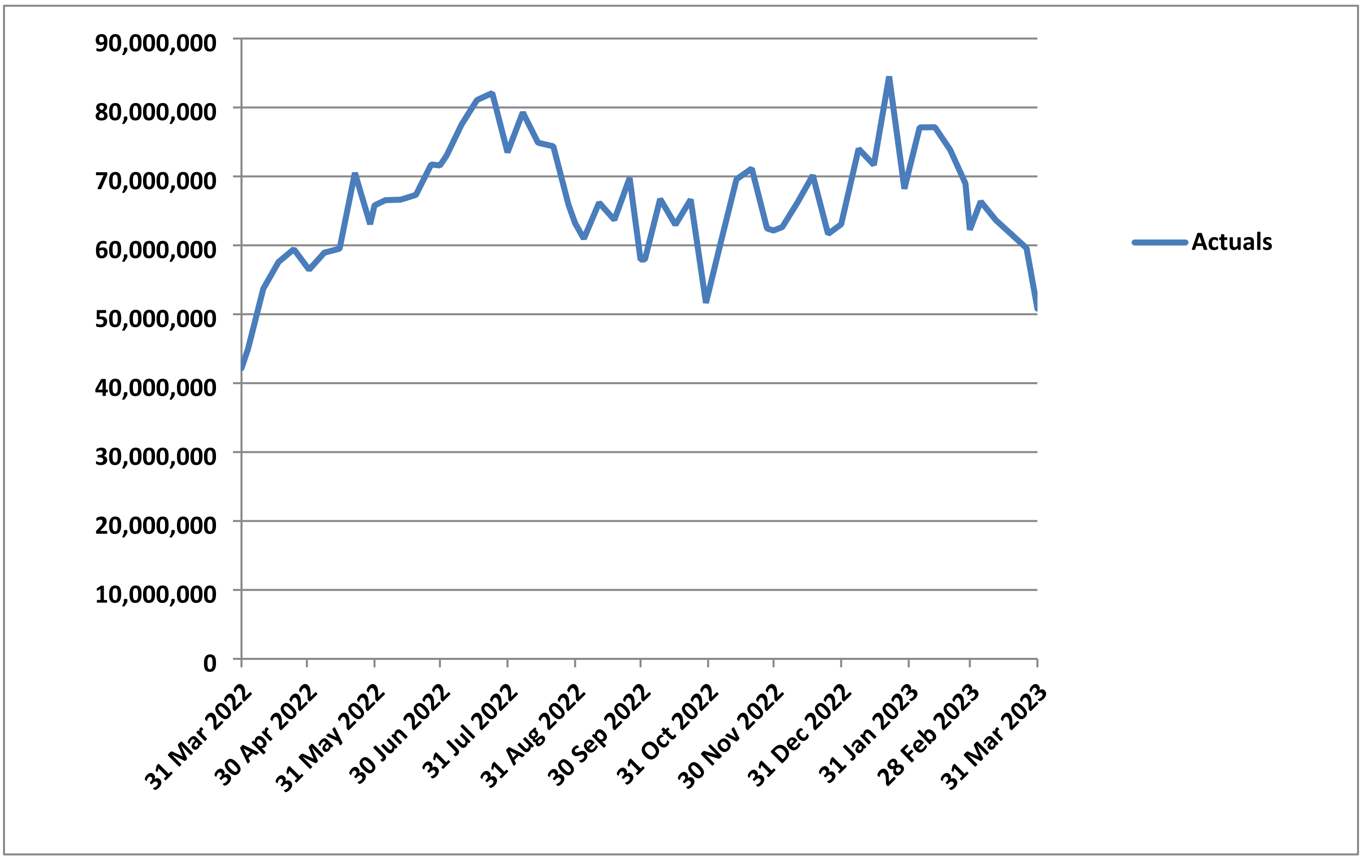
None

10. STATEMENT OF COMPLIANCE

The recommendations are made further to advice from the Monitoring Officer and the Chief Executive as Interim Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

VERSION:	**0.01**

CONTACT OFFICER:	Jenny Bradley – Finance Manager Simon Ross – Head of Finance	extn 267681 extn 585569
DATE:	June 2023	
BACKGROUND PAPER:	Treasury Management strategy for 2022/23 approved at Executive Board on the 10th March 2022. Update to the Prudential and Treasury Management Indicators approved by the Executive Board on the 8th September 2022.	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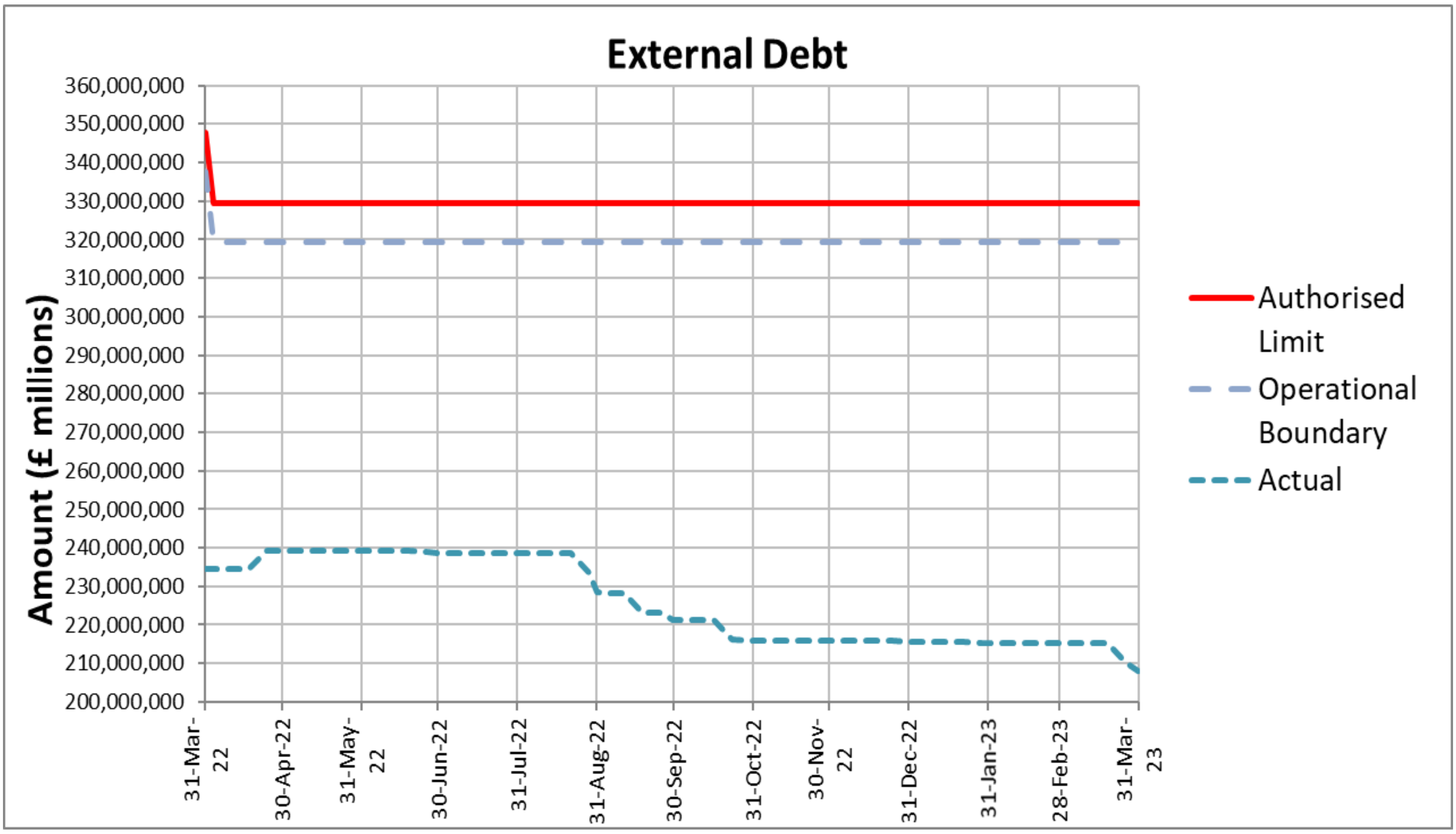
Actuals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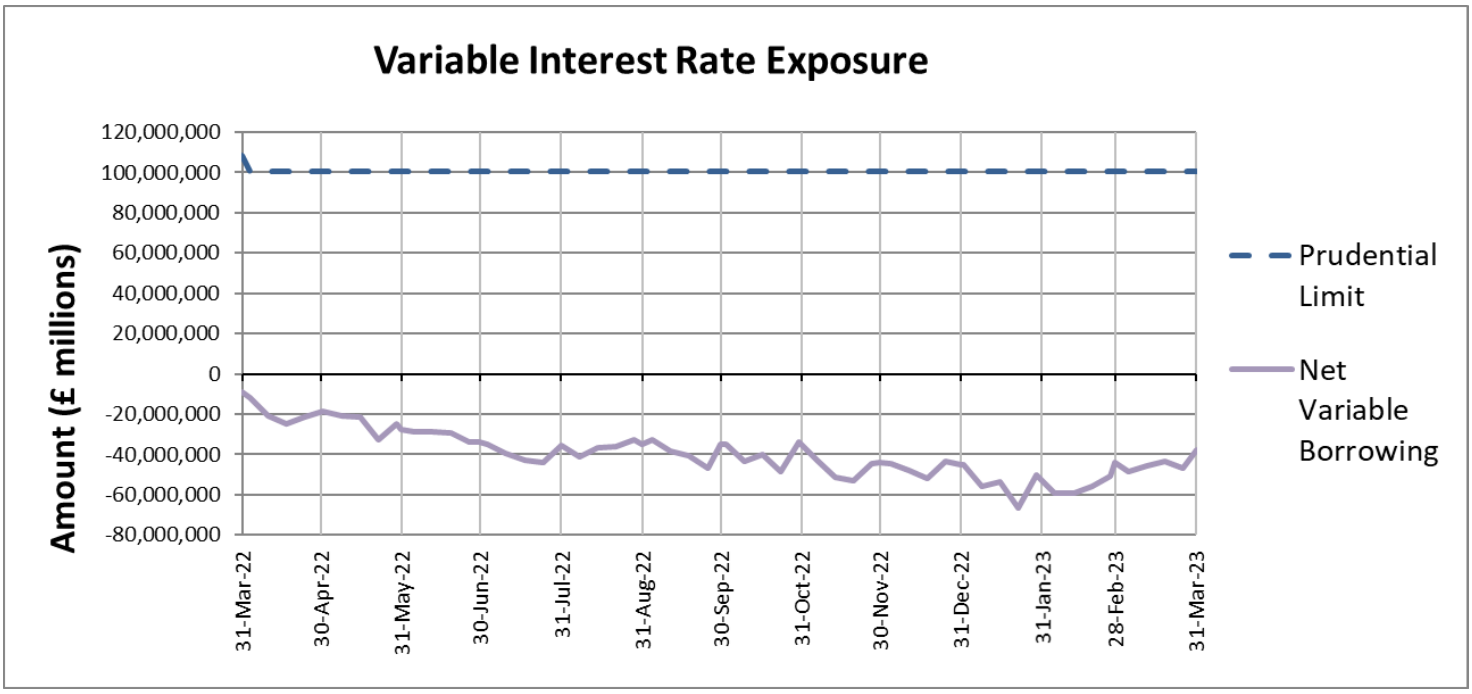
Authorised Limit
Operational Boundary
Actual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30-Jun-22
31-Jul-22
31-Aug-22
30-Sep-22
31-Oct-22
30-Nov-22
31-Dec-22
31-Jan-23
28-Feb-23
31-Mar-23
Prudential Limit
Net Variable Borrowing

Performance against Treasury & Prudential Indicators 2022-23 (approved by Exec Board 8th September 2022) Appendix 3

<table>
<tr><th></th><th>Indicator 2022/23</th><th>As Approved Sept 22</th><th>Current Monitoring</th><th>Commentary</th></tr>
<tr><td></td><td>Estimated Capital Expenditure</td><td>£35.7M</td><td>£15.6M</td><td></td></tr>
<tr><td></td><td>Estimated Total Capital Financing Requirement at End of Year</td><td>£296.7M
(incl projections re LCC debt £14.8M and accumulated PFI / lease debt £68.9M)</td><td>£281.2M
(incl LCC debt £14.8M and accumulated PFI / lease debt £68.9M)</td><td></td></tr>
<tr><td></td><td>Estimated Ratio of Financing Costs to Net Revenue Stream</td><td>12.60%</td><td>6.50%</td><td></td></tr>
<tr><td></td><td>Outturn External Debt Prudential Indicators</td><td><table>
<tr><td>LCC Debt</td><td>15.0M</td></tr>
<tr><td>PFI Elements (no lease)</td><td>69.2M</td></tr>
<tr><td>Remaining Elements</td><td>235.2M</td></tr>
<tr><td>Operational Boundary</td><td>319.4M</td></tr>
<tr><td>Authorised Borrowing Limit</td><td>329.4M</td></tr>
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<tr><th>Borrowing to Date</th><th>£M</th></tr>
<tr><td>LCC Debt</td><td>12.7</td></tr>
<tr><td>PFI Elements</td><td>57.5</td></tr>
<tr><td>BwD</td><td>138.0</td></tr>
<tr><td>Total</td><td>208.2</td></tr>
</table></td><td>LCC debt and BSF PFI debt will both fall across the year, as debt payments are made</td></tr>
<tr><td></td><td>Variable Interest Rate Exposure</td><td>£100.5M</td><td>Exposure to Date (£37.8M)</td><td>Limit not breached during the year</td></tr>
<tr><td></td><td>Fixed Interest Rate Exposure</td><td>£228.3M</td><td>Exposure to Date £125.0M</td><td>Limit not breached during the year</td></tr>
<tr><td></td><td>Prudential Limits for Maturity Structure of Borrowing</td><td><table>
<tr><th>Lower Limit</th><th>Upper Limit</th><th>Period (Years)</th></tr>
<tr><td>0%</td><td>50%</td><td><1</td></tr>
<tr><td>0%</td><td>30%</td><td>1-2</td></tr>
<tr><td>0%</td><td>30%</td><td>2-5</td></tr>
<tr><td>0%</td><td>30%</td><td>5-10</td></tr>
<tr><td>20%</td><td>95%</td><td>>10</td></tr>
</table></td><td><table>
<tr><th colspan="3">Actual Maturity Structure to Date</th></tr>
<tr><th>Period (Years)</th><th>£M</th><th>%</th></tr>
<tr><td><1</td><td>11.4</td><td>8%</td></tr>
<tr><td>1-2</td><td>15.2</td><td>11%</td></tr>
<tr><td>2-5</td><td>20.5</td><td>15%</td></tr>
<tr><td>5-10</td><td>22.7</td><td>17%</td></tr>
<tr><td>>10</td><td>68.2</td><td>49%</td></tr>
<tr><td>Total</td><td>138.0</td><td>100%</td></tr>
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<tr><td></td><td>Total Investments for Longer than 364 Days</td><td>£7M</td><td>No Long Term Investments Made</td><td></td></tr>
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TO:	Audit & Governance Committee
FROM:	Head of Audit & Assurance
DATE:	11 July 2023

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Audit & Assurance - Progress and Outcomes to 31 May 2023

1. PURPOSE

To inform Committee Members of the achievements and progress made by Audit & Assurance in the period from 1 February 2023 to 31 May 2023.

2. RECOMMENDATIONS

The Committee is asked to:

- discuss, review and challenge the internal audit outcomes achieved to 31 May 2023 against the annual Audit & Assurance Plan 2022/23, as approved by the Committee on 2 March 2023.

3. BACKGROUND

The internal audit function is required to comply with the Public Sector Internal Audit Standards (PSIAS).

The PSIAS require the Head of Internal Audit to communicate any significant governance, risk management and control issues identified to the Audit Committee during the year. This Progress and Outcomes report complies with the requirements of the PSIAS by communicating any significant issues identified by the internal audit team during the year.

The work completed to date has not identified any significant governance, risk management or control issues to bring to the Committee's attention at this time. However, the Committee should consider the information provided in the following sections regarding the work carried out during the period and the summary of issues in respect of the limited assurance audit noted.

4. RATIONALE

The Council is required under the Accounts and Audit (England) Regulations 2015 to undertake an effective internal audit to evaluate the effectiveness of risk management, control and governance processes, taking into account the Public Sector Internal Audit Standards (PSIASs).

The work undertaken throughout the year is intended to ensure that:

- an objective and independent opinion can be provided at the year-end which meets the PSIAS and statutory governance requirements;
- it demonstrates the effectiveness of the internal audit function; and
- support is provided to Members, Directors and managers for their particular

areas of responsibility throughout the year.

5. KEY ISSUES

Outcomes achieved in the year to 31 May 2023:

Counter Fraud Activity

National Fraud Initiative (NFI) 2022/23

The Council takes part in a bi-annual data matching exercise which is administered by the Cabinet Office. Having submitted all the required datasets on time the Council has recently received the output from these reports.

In total, 6,393 data matches have been received and include queries in the following areas:

- Housing Benefit;
- Payroll;
- Blue Badge parking permits;
- Creditors payments; and
- Procurement.

To date 146 matches have been processed and 53 errors have been identified resulting in total savings of £38,448.23. Arrangements are in place to recover any losses. The table below sets out the areas of activity and the results that have been identified.

Summary of Results

Area	No. of Errors	Outcome (£)	CO Estimates	Overall total
Benefits	2	852.42	4,445.81*	5,298.23
Blue Badges	51	0	33,150**	33,150
Total	**53**	**852.42**	**37,595.81**	**38,448.23**

* Estimated savings from preventing future incorrect payments as calculated by the Cabinet Office

** The value attached to the Blue Badges Parking Permits has been determined by the Cabinet Office, which considers the average loss of fraud/error to be £650 per case. These permits have either been recovered and destroyed or are in the process of being recovered

Appropriate action will be taken to review the remaining data matches, in liaison with colleagues in relevant departments.

Committee Members will be provided with progress updates in due course.

Corporate Governance and Risk

The table below summarises the five “red” strategic priority areas/issues across the departments, by key themes, which have been identified in the summary Director Exception/Dashboard Report and Assurance Statements as at 31 March 2023.

The table shows the four “red” priorities that have remained as areas of concern from 30th September 2022, and also includes one area of concern previously identified as “amber” that has now been upgraded (U below) to “red” in the period. There are also four areas of concern previously identified as “red” that have now been downgraded (D below) to “amber” in the period.

No	Theme / Description	2022/23 31st March Year End	2022/23 30th September Half Year
Demand Management			
1	Fostering Sufficiency (Children's Services)	Red	Red
2	Workload and Capacity (Children's Services)	Red	Red
	School Placements (Children's Services)	Amber(D)	Red
Budgets & Finance			
3	Budget and Demand Pressures - Social Work Demand Costs and externally commissioned Placements. (Children Services)	Red	Red
4	School Deficits - Local Authority maintained schools were showing deficit balances on their reserves. (Children Services)	Red	Red
	Increase Contract Costs (Adults & Prevention)	Amber(D)	Red
	Budget Pressures – Children's and Adults Social care and SEND cases all increasing, resulting in demand pressures and costs which need to be monitored. (Legal and Governance)	Amber(D)	Red
Staffing/ HR			
5	Sickness (whole Council) Chief Executives Department	Red(U)	Amber
	Governance Arrangements - risk of single points of failure due to the absence of a number of senior leads and vacancies (Children Services)	Amber(D)	Red

Internal Audit

A summary of the 12 audits completed and finalised since the last report to Committee are detailed below:

Risk, Control & Governance Reviews	Assurance Opinion		Recommendations Agreed
	Environment	Compliance	
Sport England Grant Management Arrangements	Substantial	Substantial	0
Payroll Core System	Adequate	Adequate	3
Value for Money Audit - Adult Social Care	Substantial	Substantial	0
Budget Control and Monitoring	Substantial	Adequate	4
Fostering Recruitment and Payments to Foster Carers	Adequate	Adequate	8
Adults Client Case Management Processes	Substantial	Substantial	3
Performance Indicators/Data Quality	Limited	Limited	19
Housing Benefits	Substantial	Substantial	2
Regulation of Investigatory Powers Act (RIPA) Processes and Procedures	Substantial	Substantial	6
Main Accounting System Reconciliation Processes Q3	Adequate	Adequate	1
St Michael with St John CE Primary School	Adequate	Adequate	13
St James Lower Darwen CE Primary School	Limited	Adequate	26

Brief commentaries on the audit assignments where we have provided a limited or part assurance opinion are set out below for consideration.

Performance Indicators/Data Quality - The final report provided **limited** assurance opinions in respect of the control environment and compliance with the controls and procedures in place for performance management.

Recommendations were made to strengthen controls in the following areas:

- Retention of evidence to support the performance information reported; and
- Training and awareness of staff regarding the Council's Data Quality Policy and related requirements to ensure compliance.

St James Lower Darwen CE Primary School - The final report provided a **limited** assurance opinion in respect of the control environment in place within the school and adequate assurance for compliance with the controls in place in respect of the eleven areas covered during the visit. We made 26 recommendations across these areas, including ten graded as 'must'. These recommendations relate to strengthening the existing control framework in place across eight of the areas reviewed and ensuring compliance with those controls identified.

Staff have also completed a number of other activities during the period. These include:

- work to enable the certification of the Family Hub Capital grant return;
- the co-ordination and collocation of the 2022/23 Annual Governance Statement and Risk Management Annual Report;
- Drafting the Audit & Governance Committee 2022/23 Annual Report;
- Preparing the annual Head of Audit Opinion and Counter Fraud Reports; and
- the year-end Management Accountability Framework Directors dashboard Report review and challenge, including a review of corporate and departmental risk registers.

Current internal audit reviews

In addition to the above completed audits, the following reviews are ongoing:

- Traded Services to Schools;
- Property Services for Schools;
- Property Services – Use of Design Consultants
- Public Health Contracts & Commissioning ;
- Children's Services Inspection Readiness;
- Local Authority Improvement Plan;
- Council Tax;
- Inspections of Homes of Multiple Occupancy;
- Adults Disabled Facilities Grant; and
- Health & Safety Compliance.

Internal Audit Performance

The Audit & Assurance team have seven performance targets which we monitor relating to our strategic aims. The target and actual performance for the current and previous periods for each measure are as follows:

Performance Measure	**Target**	**Q1 2023/24**	**Q4 2022/23**
1. Delivery of Priority 1 Audits (Annual)	100%	N/A	87.5%
2. Planned Audits Completed Within Budget	90%	**77%**	**57%**
3. Final Reports Issued Within Deadline	90%	100%	100%
4. Follow Ups Undertaken Within Deadline	90%	100%	95%
5. Recommendations Implemented	90%	88**%**	92**%**
6. Client Satisfaction	75%	100%	100%
7. Compliance with PSIAS (Annual)	95%	100%	100%

We have provided a brief commentary on the measure where performance in the period has fallen below the agreed target:

2. Planned Audit Completed Within Budget

Three of the 13 audits completed during the period required additional time due to the following:

- remote working arrangements that the Council had in place during the period, coupled with additional time for planning, preparation and testing for new audit areas; and
- extra time carrying out additional testing and liaising with the department to finalise the report.

5. Recommendations implemented

Seventy two of the 82 recommendations for follow-ups responded to which were due for implementation on or before 31 May 2022 (88%) had been fully or partly implemented. There was one assignments where a complete follow up response was not forthcoming at the time of the report. A verbal update will be provided at the meeting.

There was only one must recommendation that had not been completed in accordance with the agreed timescales. This was subsequently followed up with the manager concerned in order to clarify the reason for the delay.

6. POLICY IMPLICATIONS

The delivery of the Plan leads to the Annual Internal Audit Opinion Report and this, in turn, contributes directly to the Annual Governance Statement.

7. FINANCIAL IMPLICATIONS

There are no financial implications arising as a result of this report.

8. LEGAL IMPLICATIONS

There are no legal implications arising as a result of this report.

9. RESOURCE IMPLICATIONS

There are no resource implications arising as a result of this report.

10. EQUALITY & HEALTH IMPLICATIONS

There are no equality or health implications arising as a result of this report.

11. STATEMENT OF COMPLIANCE

The recommendations in this report are made further to advice from the Monitoring Officer. The Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

12. CONSULTATIONS

Directors

Contact Officer: Colin Ferguson, Head of Audit & Assurance– Ext: 5326
Date: 30 June 2023
Background Papers: Audit & Assurance Plan 2022/23, approved by the Audit & Governance Committee on 2 March 2023.

TO:	Audit & Governance Committee
FROM:	Chief Executive
DATE:	11 July 2023

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF BRIEFING PAPER **Risk Management Report Annual 2022/23**

1. PURPOSE

This report informs the Committee members of the risk management related activity which has taken place or been delivered during 2022/23. It provides an overall conclusion on the effectiveness of the risk management arrangements which are in place within the Council. It should be noted that the report reflects the risk positon as at the year-end. These arrangements are continually under review as new and emerging risks are identified and assessed for their impact on the Council and its corporate priorities.

2. RECOMMENDATIONS

The Committee is asked to:

- Consider and review the annual risk management report; and
- Agree the conclusion on the overall effectiveness of the Council's risk management arrangements in place during 2022/23.

3. BACKGROUND

The Corporate Risk Management Strategy and Framework 2021/26 requires the Audit & Governance Committee to approve an annual risk management report that includes consideration of the effectiveness of the risk management arrangements in place within the Council. The Committee's terms of reference also requires it to review progress on risk management activity at least annually.

4. KEY ISSUES

1. Summary

1.1 The Annual Risk Management Report provides the Audit & Governance Committee with a summary of the risk management activity that has taken place across the Council for the year ended 31 March 2023. The risk management framework and associated systems and procedures should ensure the Council has adequate and effective risk management and resilience arrangements in place to ensure that key business objectives are met.

1.2 The key elements of risk and resilience considered under the framework are:

- Risk Management;
- Resilience and Emergency Planning and Business Continuity (including health aspects);
- Information Governance arrangements;
- Insurance; and
- Health, Safety and Wellbeing.

1.3 This report covers the activities relating to the corporate and departmental risk management arrangements, Council resilience and emergency planning, event management, information governance and insurance. It outlines the risk management policies and arrangements currently in place, activities which have taken place or been delivered during the last year directed at achieving the various risk objectives, and details of key actions or developments for 2023/24.

1.4 A health, safety and wellbeing annual report will be presented to the Committee separately.

2. Background and Overall Assessment

2.1 The Council uses the Institute of Risk Management's definition of a risk, which is as follows:

'*A risk is something uncertain - it might happen or it might not. A risk matters because if it happens, it will have an impact on objectives'*.

2.2 Risk management is defined as coordinated activities to direct and control the Council with regards to risk. (ISO 31000:2018).

2.3 The Council recognises that risk management is not simply a compliance issue, but rather it is a way of viewing its operations with a significant impact on long-term viability and that effective risk management helps to demonstrate openness, integrity and accountability in all of the Council's activities. In defining risk, the Council also recognises that risk can be the failure to take advantage of opportunities to optimise the achievement of its outcomes and priorities. Therefore, the Council proactively considers positive risks (opportunities) as well as negative risks (threats).

2.4 The details given in this report provide appropriate evidence that, overall, the Council has adequate risk management arrangements in place and these operated effectively during the year ended 31 March 2023. Areas for action or development during 2023/24 have been identified in the following sections. These will strengthen the existing systems and procedures in place.

RISK MANAGEMENT

3. The Corporate Risk Management Process

3.1 The Corporate Risk Management cycle is aimed at identifying, analysing, prioritising, managing and monitoring risks that could impact on the delivery of the Council's objectives (i.e. corporate risks).

3.2 Corporate risks are those significant risks that could affect the overall success of the Council's agreed objectives and priorities, or the vitality and viability of the organisation. Should these risks materialise Members and other stakeholders/partners, including the public, will be aware of them and, amongst other significant consequences, they may affect the reputation of the

Council.

3.3 The Chief Executive and Corporate Leadership Team are responsible for leading on and ensuring effective risk management operates consistently across the Council. Each Director is the risk owner of all risks within their Department. Advice and support regarding risk management issues is available from the Audit & Assurance team. Directors and senior managers also highlight relevant significant risks included on departmental risk registers for consideration to include in the corporate risk register. These are escalated to the Corporate Leadership Team for consideration and agreement to add to the Strategic Risk Register where applicable.

3.4 The Risk Management Strategy & Framework has been updated during the year. This includes five objectives that have been set to take account of the requirements of the Strategy & Framework. These are set out below, along with evidence of how these are demonstrated in practice.

1. ***Embed risk management into the culture of the Council so that it is an integral part of the Council's management systems and processes.***
    - The Corporate Risk Management Policy Statement, Risk Management Strategy & Framework and supporting toolkit are available to all staff via the risk management section of the Intranet.
    - Risk management refresher sessions have been delivered to Chief Officers, the Extended Leadership Team and elected members during the period.
    - Key issues and risks are required to be identified and recorded on the corporate decision making forms. Risk management guidance for decision makers and report writers is included at appendices 4 and 5 of the Risk Management Toolkit.
    - The Strategic Director, Finance & Resources and Deputy Director (Legal & Governance) are required to be consulted on, and formally sign off all policy decisions.
    - The corporate Partnership Governance Checklist and Protocol ensure a consistent approach to the joint management of risks for significant partnerships that the Council is involved in.

2. ***Maintain systems and processes to manage risk and contribute to good corporate governance through accurate, relevant and timely reporting on risk management.***
    - A hierarchy of risks registers is in place.
    - The Corporate Leadership Team and key contacts carry out quarterly reviews of the strategic risks and individual Directors should review departmental risks registers on a quarterly basis.
    - Progress on the management of risk, particularly strategic risks, is reported quarterly to the Audit & Governance Committee.
    - Strategic risks are regularly reviewed and challenged by the Audit & Governance Committee.
    - The support that is available from the Council's insurance provider is utilised to provide advice and support on the risk management and insurance arrangements in place within the Council, including independent assurance on specific risk areas.

3. ***Maintaining clear roles and responsibilities regarding risk management, including business continuity management.***
   - The Council's Constitution outlines the Audit & Governance Committee's responsibility for the oversight of risk management.
   - Key risk management roles and responsibilities are set out in the Risk Management Strategy & Framework 2022-26.
   - The Corporate and Departmental Business Continuity Plans set out the Strategic and Tactical Officer Groups roles, and Departmental Incident Management Teams responsibilities, as well as those of Directors, Heads of Service and service managers.
   - The Chief Executive or relevant Directors are identified as risk owners for relevant strategic risks and are responsible for maintaining risk registers affecting their operational responsibilities including key projects/partnerships.
   - Key contacts are identified for all risks.
4. ***Develop and disseminate best practice in the management of risk.***
   - The Risk Management Framework and supporting processes and procedures were reviewed and updated Q4 2022/23 to ensure that these reflect current best practice.
   - A Corporate Risk Management Policy Statement is in place, which includes a definition of the Council's overall corporate risk appetite.
   - The Audit & Governance Committee approves an annual risk management report providing an overall opinion on the effectiveness of the Council's corporate risk management arrangements.
   - Risk Management support available for the Council's insurer is used to provide advice and guidance to departments on key risk areas.
   - Directors complete an annual declaration that they have effective risk management systems in place.
   - Audit & Assurance delivers a risk based internal audit programme.
   - Audit & Assurance provide support to departments, reviewing the consistency of risk registers and undertaking independent reviews of the risk management process.
5. ***Equip Members and officers with adequate skills and expertise to manage risk effectively as appropriate to their role.***
   - Tailored risk management awareness sessions have been delivered to elected Members, Chief Officers and the Extended Leadership Team during the year by colleagues from Zurich Municipal.
   - Health and safety training has been delivered to senior managers.
   - The Risk Management Toolkit has been reviewed and updated during the year. Details were communicated as part of the risk management awareness sessions.
   - Risk management guidance, updates and links to webinars from the Council's insurer and insurance broker have been circulated to relevant managers to cascade to staff during the year.

4. Corporate Risk Register

4.1 Corporate risks are those that may impact on the overall achievement of Council objectives and priorities. The Corporate Leadership Team continues to review the corporate risk register on a quarterly basis to ensure that the risks identified are appropriate, adequately assessed and aligned to the corporate priorities and objectives on an ongoing basis. This includes consideration of new and emerging risks to determine if these should be added to the register. The corporate and departmental registers identify inherent and target risk scores for each risk and the summary reports show any change in residual risk scores between period ends to enable changes in residual risk scores to be identified.

4.2 A number of changes have been made to the Corporate Risk Register during the year. The details have been set out in the regular update reports provided to the Audit & Governance Committee during the year. The changes are as follows:

- The residual risk score for risk corporate risk 14 (High profile serious/critical safeguarding incident/case that is known to Council services) was reduced. Whilst the impact on the Council remained high, if a serious safeguarding incident occurs, management considered that the level and strength of the controls in place to manage this risk effectively were good and therefore the likelihood of such an event occurring was reduced because of this. The reduced score better reflects this.
- The residual risk score for Risk 17 (Cyber) was increased. This change takes account of the increased risk of attacks by Russia and other nation states, groups and individual cyber threat actors that have been targeted at Government and other public bodies and a detailed analysis of BwD preparedness and ability to recover from an attack quickly.
- Corporate Risk Number 18 (Insufficient budget for service delivery if MTFS income targets from the Growth Agenda are not met). The residual score for this risk was increased from medium to high. This was considered a high risk area given the prevailing market conditions of high inflation and increasing interest rates, as well as the possibility of a recession signalled by the Bank of England during the year. Income generation is directly linked to securing capital receipts from the disposal of sites for house building and for commercial developments. If the predicted recession does occur it is likely to significantly impact this area
- A new risk was added relating to the impact of cost of living increases on the local community and the implications of this on Council services and budgets. Increases in the cost of energy and the high inflation rate have seen the cost of living significantly increase for most residents of the borough. Coupled with high deprivation and low disposal incomes, this issue is expected to adversely impact Blackburn with Darwen residents, businesses and Council budgets and services over the medium term. There was particular concern regarding the overall health and wellbeing of residents and potential increase in safeguarding matters. Any increase in these areas would add increased pressure on Council services and potentially increase costs. It was also expected that the Council’s income would also be impacted following the cost of living pressures on households and businesses.
- New risks have been added relating to the implications for the Council if

it fails to meet the statutory or regulatory requirements for Adult Social Care or Children's Services and Education. Failure in this area by either of these Directorates could result in the Council's statutory requirements not being fulfilled. There is a risk that the Council's reputation could be affected and the Authority may be subject to special measures.

- A new risk was been added relating to the potential impact on the Council's as a result of the Public Inquiry into the Covid-19 pandemic.
- A new risk has been added (Risk 28) relating to the impact that the ongoing on-going industrial unrest and strike action in the NHS and affecting other key partners and sectors may have on public services.
- A new risk has been added relating to the Council's IT infrastructure. This area was previously included as part of the corporate business continuity risk elsewhere on the Strategic Risk Register. It has been identified as a standalone risk given the significance of this area to the effective delivery of Council services. This ensures that there is clarity regarding the risk owner and that the risks associated with this area are given appropriate recognition and evaluated and assessed separately.
- Risk 23 (Failure to have an inclusive public health Covid-19 recovery plan that focusses on those most impacted by the pandemic and plan effectively for COVID and influenza) has been closed. The inherent risk relating to this area has been reduced to an acceptable level and a business as usual response has been agreed.

4.3 The Corporate Risk Register contained 21 open risks as at 31 March 2023. A summary of the open risks is attached at Appendix 1. The Council's top corporate risks at that date were those relating to the following:

- Risk Ref 1 - Failure to deliver a balance budget and Medium Term Financial Strategy, which may result in a Government Commission taking control of the Council's finances;
- Risk Ref 14 - A high profile serious or critical safeguarding case that is known to the Council services, in light of Covid-19 working arrangements;
- Risk Ref 17 - Cyber security failures leading to financial, data loss or disruption to services from compromise of the IT network or systems;
- Risk Ref 18 - Insufficient budget for service delivery if MTFS income targets from the Growth Agenda are not met;
- Risk Ref 24 - Failure to respond effectively and proportionately to develop and implement plans/adaptations, within the scope of the Council's control and influence, in pursuit of its ambition to be a Carbon Neutral borough; and
- Risk Ref 28 – The risk to the delivery of public services as a result of on-going industrial unrest and strike action in the NHS and other key partners and sectors.

4.6 The following table shows the number of risks that are aligned to the Council's core missions and outcomes:

Core Missions and Outcomes	No of Risks
A more prosperous borough where no one is left behind	5
Every child and young person to have opportunities to fulfil	8

their potential	
Deliver our climate emergency action plan	5
Build happier, healthier and safer communities	11
Fewer people living in deprivation	5
Increased life expectancy	7
Borough closer to carbon neutral	5
Higher educational attainment	3
More people who need help or support continuing to live in their own homes	6

5. Key events and achievements during the year

5.1 During the year corporate risk management support has been delivered by the Audit & Assurance team, under the Strategic Director, Finance & Resources, to support the achievement of the risk management objectives. Key activities undertaken/achievements during the period include the following:

Corporate/Departmental

- Implementation of a Corporate Risk Management Policy Statement, which defines the Council's overall corporate 'appetite' for risk, along with an updated Risk Management Strategy & Framework and supporting Toolkit;
- The continuation of regular 'deep dive' reviews of specific corporate risks by the Audit & Governance Committee to improve its oversight and understanding of these risks.
- Monitoring and review of the completion of corporate and departmental risk registers and changes in risk scores, with associated reporting to the Corporate Leadership team and Audit & Governance Committee.
- Continuing development of the Management Accountabilities Framework Dashboard reporting arrangements aligned with development of the Corporate Plan reporting and monitoring arrangements.
- On-going scrutiny and challenge of Directors Management Accountabilities Framework Dashboard reports, to ensure that risk issues identified have been included in Departmental or Corporate risk registers.
- Continuing use of the risk management support available from Zurich Municipal to support the risk management arrangements in place in the Council. This has included:
- Risk management training and awareness refresher sessions for elected members, Chief Officers and senior managers.
- Institution of Occupational Safety and Health (IOSH) training for Directors.
- Completion of a Cybersecurity Health Check, assessing the Council's cyber maturity and considering risks across three dimensions, exposure, hazards and controls, and grading the results across 23 risk factors.
- A review of the Council's arrangements for the control of vibration at work and manual handling.
- Seeking advice on the risk management and insurance implications of Council activities and services due to the impact of or response to the pandemic;

- The circulation of insurance and risk management advice and guidance to managers; and
- Circulation of ZM and insurance broker risk management webinars to relevant colleagues across the Council to support training and awareness raising.

6. Developments for next 12 months

6.1 The risk management activity planned for the next twelve months includes the following:

- On-going liaison with colleagues across the Council to identify areas to utilise the risk management support available from Zurich Municipal.
- Continuing the 'deep dive' review of corporate risks by the Audit and Governance Committee on a regular basis during the year.
- Development and implementation of a claims dashboard for Chief Officers and senior managers using PowerBI.
- Inclusion of risk management in the staff induction handbook.
- Continuing review of management information relating to the use of the Council motor fleet and insurance claims related data to identify themes and common issues, driver training needs to reduce the incidence and impact of motor vehicle claims and incidents.
- Continuing the cycle of Departmental risk register reviews and challenges as part of the risk management work carried out by Audit & Assurance staff.
- A review of the Counter Fraud Risk Register by Audit & Assurance to provide assurance on the risks identified.

7. Review of the Effectiveness of Risk Management Arrangements

7.1 The arrangements, as set out in the Risk Management Strategy & Framework, have been undertaken throughout the year as illustrated by the examples noted in this report. We consider that the Council continues to maintain robust and effective risk management processes.

7.2 The Audit & Assurance team will continue to develop the arrangements to address the issues noted from the audit and ensure that the arrangements in place meet the changing needs, risks and pressures that the Council faces.

CIVIL CONTINGENCIES SERVICE (CCS) - Emergency Planning & Business Continuity

8 Emergency Planning

8.1 During the year to 31 March 2023, Blackburn with Darwen had several incidents affecting the community at large. These included:

- Death of a Significant National Figure – Her Majesty Queen Elizabeth II – Operation London Bridge, September 2022.
- Various Fires/Operation Merlins' – V10 Polymers, Highfield Road, Darwen Moor, Chadwick Street, St Michaels Court, Springvale Road, Landsdowne Street, all of which impacted on the local community.
- Loss of gas supply at Albion Mill.
- Various power outages: incident affected 80 CCTV cameras; St Pauls School closed due to safeguarding issues i.e. no fobs, loss of food and no heating; Riverside Heights 85 extra care housing affected.

- Various burst water pipes / water leak contaminations: Longshaw Nursery, Longshaw Junior School, Feniscowles Primary, Livesey Branch Road. Burst water mains in 2 locations. One had a significant impact on residents, water distribution locations were established and residents were temporarily moved to hotel whilst repair works were undertaken; a water leak which impacted Darwen residents on Stopes Brow and Blackamoor Road.
- Reported School closures due to snow - 3, burst water pipes – 2, loss of power – 1, excessive staff absences, bereavement – 2.
- Humanitarian Assistance – House in Multiple Occupancy (HMO) concerns - 2; fire response and vulnerable person identified.
- Strike Action – various agencies – awareness sharing of information and support as required.
- Ad hoc, Road Traffic Collision support, building inspector requests, lamppost removal, oil leak, fly tipping – pre bonfire night.
- Information sharing – with regards to Avian Flu (108 notifications), Monkey Pox (7 notifications).

8.2 Duty officer statistics for 2022/23 were as follows:

- Warnings received = 616;
- Information received total = 168;
- Activations total = 49 (Strategic Officer notified on 9 occasions);
- **Total activity** = **784** *(last year total 918)***.**

9 Key events and achievements during the year

Corporate Exercise

9.1 In the year 2022/23 the Corporate Exercise focused on testing Business Continuity Plans and arrangements, it was attended by key Heads of Service and subject matter experts from across the council. The exercise was scenario based and focussed on a cyber-attack, something that the council have not tested in recent years. The session was delivered by industry experts and helped us understand, not only the response and recovery required if we were to be subject to a cyber-attack, but also what plans and preparedness we need to proactively update.

9.2 A full report is being drafted and will be shared once complete. Following the exercise, the team have met with Business Continuity Co-ordinators to audit their plans (which were all updated at the end of 2022/23) and have suggested any improvements, where required.

Plan Reviews

9.3 Risk and some site specific emergency plans have been reviewed. Where there are Lancashire Resilience Forum (LRF) plans that are viable and can be used locally, we have either removed the local plan or reference to these will be made in the Generic Emergency Response Plan (GERP).

9.4 Departmental business continuity plans (BC) have all been reviewed and streamlined with single points of contacts being established. The BC audit process is nearly completed for 2022/23. The annual BC call cascade test was undertaken in January 2023, which tests the notification chain within departmental BC plans. This SMS exercise is run annually to test the speed and efficiency of how BC calls are cascaded, to test plans and monitor how fast the Council can activate agreed arrangements.

Schools - Emergency Planning

9.5 The CCS continues to deliver annual training and awareness sessions to all schools within the borough, including all Free, Academy and Independent schools. This will ensure consistency in the approach to emergency planning and awareness training across the whole school sector.

9.6 This is the first full year that we have supported schools who purchased the Schools SLA. To date we have 5 schools who have purchased this service again, some of which are on a 3 year deal. We have completed 4 bespoke training exercises over this period and 2 more are scheduled.

Standby arrangements review

9.7 Following the review of the authority's standby arrangements back in 2019 CCS now receive rotas and activations from all departments concerned. We have had one addition this year which is the Drainage Team. We are in the process of creating a dashboard for monitoring / reporting purposes and statistics are expected from all service areas involved, which will be reviewed quarterly.

9.8 The Strategic Officer (SO's) and Duty Officers (DO's) rotas have been reviewed and streamlined. There are now 12 SO's on rota and 6 DO's, who now have more control over administration of the response processes / expenditure and only notifying the SO's for information and support as necessary.

9.9 To support the DO's during a response we have created WhatsApp groups for two key emergency plans. This provides the DO's with the reassurance that if they require urgent support someone from those plans will respond. The two areas are Human Aspects/Alternative Accommodation and Media Relations.

Risk Registers

9.10 The Local Community Risks (Community Risk Register (CRR)) have been reviewed with the risk leads. The work of the service is risk driven, therefore there has to be a medium / high / very high, level risk in order for there to be a plan to mitigate or reduce the risk. This process is very much driven from the National and Regional Risk Registers.

9.11 The CCS have regularly reviewed the corporate risks that are relevant throughout this period.

COVID-19 Public Inquiry

9.12 The CCS continue to support Chief Executive Support with regards to the internal/regional and national debriefs in the retrieval of information / documentation for evidence for the inquiry. All lessons identified and recommendations of good practice, or areas for improvement will be addressed by organisations to embed in normal practices and plans as appropriate. The outcomes from debriefs will also help shape a final 2 year report covering all aspects of the pandemic.

Local Innovation Funding Bid

9.13 The Team submitted a bid titled 'Preparing Lancashire – Building Resilient Communities' and although we were not successful this was not a wasted exercise as it was felt that the 5 elements were extremely valid and could be picked up within the LRF Working Groups business as usual. Further information is below as the work will be addressed over the next 12 months and included within CCS Work Plan and the LRF Work Programme for 2023/24.

LRF Exercise Goshawk – October 2022

9.14 Exercise Goshawk was a live play LRF exercise using a terrorist scenario to explore the multi-agency response to such an incident. This was hosted by Blackpool and took place over 36 hours. It saw the activation at all levels of response – operational, tactical and strategic. We supported the survivor reception centre, family and friends element. The debrief and findings are in draft report waiting for a formal sign off by the LRF Executive Group. Once this is done any necessary actions and learning will be addressed locally.

CCS Volunteer Workshop – March 2023

9.15 The event was held at Bank Top Neighbourhood Learning Centre and the aim was to recruit volunteers to the volunteer roles the service coordinates. It provided the opportunity for current volunteers to network i.e. Community Emergency Response Volunteers (CERV); Emergency Response Group (ERG); Community Champions and Loggists. Guest where invited from the Environment Agency, British Red Cross and RayNet who all came information with stands.

National Emergency Planning Exercise – Mighty Oak – March 2023

9.16 Exercise Mighty Oak was a Tier 1 National Power Outage (NPO) Exercise run by a cross-Government programme board and was a total shutdown and loss of electricity at national or multiple regional scales. This has never occurred in the UK but the impact would be severe with total power loss of power for 1-2 days before electricity supplies are slowly restored. The full recovery of the impacts would take weeks/months. CCS were active players for this exercise in testing our telecommunications via the ERAL network and partaking active roles at the Strategic Coordination Centre (SCC) based at Police HQ Hutton. Again any recommendations following the national and regional debrief with be adopted at a local level.

10 Key Additional Developments for the next 12 months

Duty Officer Capability

10.1 There have been several staff changes in o the Team during the year and it has been agreed that not only will new members undergo an intense 12 week training programme, to ensure that the Duty Officers are suitably equipped and able when responding to any emergencies, all DO's will attended training 1 hour per month. We also intend to carry out 3 tests of DO's activation. One of these will be to activate the newly established Emergency Control Centre (ECC) and set it up in readiness for a response.

Dashboard

10.2 In order to capture corporate emergency response data we are in the process of developing a Dashboard for the service and should be fully functional by the end of June 2023.

Business Continuity (BC) and Business Continuity Promotion (BCP)

10.3 The review of the BC plans and the BC audit is nearly been completed for 2022/23 and CCS will now support departments in writing their Standard Operation Procedure (SOPs). On the back of this the re-write of the Corporate BC Plan will be undertaken.

10.4 Promoting business continuity externally to businesses within the borough is undertaken at every opportunity and yearly via the business rates correspondence. Once the Team is back to a full complement we envisage to target business directly and offer support on developing plans with the intention to enhance their resilience.

Emergency Plans (EP)

10.5 Following the review of risk specific EP's last year it is intended to enhance the SOPs for these plans again simplifying and streamlining some of which are very lengthy documents. A number of these will become part of the Generic Emergency Response Plan (GERP). The GERP will undergo a full review and will become the Local Emergency Response Plan (LERP).

10.6 A full review of the BwD Recovery Plan is required to fit in line with the recent LRF review. Following the recent National Mighty Oak Exercise our local Fuel plan content will be undertaken in support of the regional planning arrangements. We will be supporting Adults with the development of Albion Mill EP and BC plans and will work with Leisure to review the King George's Hall EP.

10.7 The CCS is supporting the Elections team in reviewing their Emergency Plan to support the new way of voting procedures, planning and processes in case of a power outage, protests, loss of building or loss of staff.

10.8 Following recent events with regards to Houses of Multiple Occupancy (HMO's) CCS will be supporting Housing Needs in reviewing and updating their planning arrangements to incorporate their procedures when faced with this type of crisis again, which could be imminent given the current reviews that are taking place.

10.9 The national and regional 'Pipeline' plans are currently under review and updates locally will be incorporated into our site specific plans. Again following the activation of the 'Marking the Death of a Senior National Figure' and lessons learnt this plan will be reviewed regionally and locally to capture recommendations from the debriefs.

Building Resilient Communities

10.10 There has been substantial growth nationally on the importance of building resilient communities and we have taken part in numerous seminars, conferences and workshops especially around the National Consortium of Societal Resilience (NCSR). As mentioned above we submitted a bid for the Local Innovation Funding and although we were not successful in obtaining the direct funding the LRF have agreed to address these topics within the LRF Sub Groups. These are the topic areas that we will aim to enhance and deliver on over the next 12 months:

- Expansion of the BwD Schools Community Resilience Project (SCRP – this is an accredited project, highlighted as a case study by DLUHC and is being accessed across the country. We want to further develop this innovative project and extend it into secondary schools.
- Community Emergency Response Volunteers (CERV) - re-launch and further develop the CERV and aim to maintain engagement with the community volunteers that came forward during Covid-19 to encourage home and community emergency plans and to share this good practice across Lancashire. One of our volunteers completed the 'National Volunteers Certificate' which we presented to him at the recent

Emergency Volunteers Workshop.

- Young People - The aim here is to increase the participation of youth organisations in community resilience awareness and training. These resources are for example uniform groups i.e. sea cadets, air cadets, police cadets, guides, scouts.
- Businesses - This will target small and medium sized commercial enterprises and service providers to raise awareness of the importance of having business resilience/continuity plans to prepare for disruptions and to put plans in place to respond, cope and recover in times of crisis.

10.11 Locally we will be recruiting internally for ERG and Loggists and will be developing a training programme for the next twelve months, which will include a rest centre exercise.

Training and Exercises

10.12 The Service will review and update the training strategy and the following training will be delivered:-

- Care Homes and Housing Providers.
- ERG/Loggists.
- SO / DO / Joint DO and EODT.
- Corporate Exercise March 2024.
- Education Leadership Tabletop Exercise.
- Ad hoc School training / exercise requests.
- National Risk Register (NRR).

10.13 The direction and work of the CCS is driven by risk. The Civil Contingencies Act 2004 features Risk Assessments as one of its seven duties placed upon Category 1 Responders (which includes Local Authorities). The Council works alongside the LRF to assess the National Risk Register (NRR), understand what risks we face within Lancashire and what we have to do to mitigate these risks. The latest version of the NRR has been issued however, the review has been paused due to the guidance for the 2022 National Security Risk Assessment (NRSA) not having been published yet. Once this is underway we will undertake a full review of BwD's Community Risk Register and undertake a gap analysis plans, procedures, training etc. Any gaps for additional training or processes and plans will be managed as we progress.

BwD Corporate Risk Register

10.14 CCS has highlighted to the relevant departments a couple emerging risk affecting the borough. These are the pending closure of HMO's, the impacts of a blackout on care homes, supporting living, respite places – all care settings.

Review of the Civil Contingencies Act (CCA) 2004

10.15 An independent review of the Civil Contingencies Act 2004 and its supporting arrangements was undertaken in 2021. The team was involved in the consultation alongside the LRF. A report was publish on 24th March 2022 by the National Preparedness Commission. The report makes 117 recommendations, which would make a significant contribution to building the UK resilience so it is fit for a more difficult future. We expect that the roll out of any amendments or additions following the reviews to take around 2 years. We will be keeping a watching brief on this and include any changes within our planning.

EVENTS

11 Events Safety Advisory Group (ESAG)

11.1 This multi-agency group, which was chaired by the Leisure Facilities Manager during the year, is well established and meets on a regular basis to review events planned across the borough and debrief events that have occurred. The Group is attended by representatives from many Council Departments including Public Protection, Licencing, Insurance, and Emergency Resilience, as well as the three Emergency Services – Police, Fire and Ambulance. The Group acts as a central point for all event notifications, ensuring organisers have a single point of reference to obtain support and advice regarding their event. The members of the Group are aware that they play an important role and challenge, where necessary, plans that are not thorough, to ensure that all quality standards are met and that safety of all events is paramount.

11.2 Registration of events is stringent, in particular for events held on council land. Organisers are required to submit Event and Traffic Management plans and insurance details, which are scrutinised by all members of the Group. In addition, the organisers of large events are invited to an ESAG meeting to discuss details and safety arrangements of events with members. Once this is all complete, the Group signs the event off. This is done in order to ensure safe and well managed events are conducted and to protect the Council in terms of its reputation and any risk possibilities.

11.3 Pre-event day multi agency visits are continuing and have been helpful for members to check event sites to ensure events are as safe as possible and to deal with any last minute issues.

11.4 During 2022/23 the events program has continued to grow, following the pandemic, with over 130 events registered and submitted through the group. This includes a significant number of large scale events including Fairgrounds and Festivals, such as the Festival of Making, Darwen Live and Restricted Rocks.

11.5 Members and senior officers can be sure that all events that operate across the Borough are scrutinised and well managed to ensure that they are all well organised and as safe as they possibly can be. Partnership working both internally and externally with emergency services is key to this.

11.6 Following the retirement of the long standing chair of the group at the end of March 2023 a new chair has been appointed, the Service Lead in the Chief Executive's Department with responsibility for Health and Safety and Civil Contingencies. The new chair is currently reviewing the Terms of Reference of the group and event application process, and ensuring that advice and guidance is readily available for event organisers to support them in holding safe and successful events.

INFORMATION GOVERNANCE (IG)

12 Introduction

12.1 The Information Governance and IT Compliance team, within the Digital and Business Change Department, has overall responsibility for the information governance framework within the Council. The team also receives and coordinates responses to Freedom of Information (FOI), Environmental Information Regulations (EIR) and Data Protection Subject Access (DP

SARs) requests.

12.2 In addition, the team is responsible for monitoring information security incidents in relation to the Data Protection Act (DPA), reporting any breaches, ensuring that all incidents are thoroughly investigated and that appropriate corrective action is taken. The team is the first point of contact for complaints made about the Council to the Information Commissioner's Office (ICO).

13 Annual requests and clearance statistics for 2022/23 and comparison against 2021/22

		2021/22	2022/23
FOI	Number received	1123	1054
	Number due	1103	1053
	Number on time	1048	1008
	% on time	**95.01%**	**95.73%**
EIR	Number received	1706	1418
	Number due	1730	1439
	Number on time	1695	1413
	% on time	**97.98%**	**98.19%**
Combined FOI/EIR	Number received	2829	2472
	Number due	2833	2492
	Number on time	2743	2421
	% on time	**96.82%**	**97.15%**
DPA	Number received	275	447
	Number due	273	421
	Number on time	254	393
	% on time	**93.04%**	**93.35%**

13.1 The number of FOI/EIR requests received in 2022/23 has decreased by 12.6% compared to 2021/22. FOI compliance rates were above the mandatory compliance rate of 90%, with 95.73% of requests responded to on time. EIR compliance rates have again improved from last year with a compliance rate of 98.19%

13.2 The number of DP SARs received in 2022/23 has increased significantly by 62.2% compared to 2021/22. The compliance rate over this period has improved to 93.35%. During this period 1FTE was added to the SARs service and resource support was delivered by the existing Corporate Information Governance Team, who continue to assist with SAR responses. Whilst the SARs team have managed to clear the backlog of historical Children's SARs, there has been a large increase in the number of requests submitted that the team have struggled to manage. This is in part due to the introduction of a new Care Leavers Process. The Corporate IG SARs team have now introduced a prioritisation system to ensure that the professional SARs (LA Safeguarding Requests/ DBS/Adoption/Foster Carer Stat Checks/Police Requests/ Legal Requests) are carried out as a priority.

14 Information Assurance Incidents Recorded During 2022/23

14.1 There were 81 recorded information assurance incidents in 2022/23. This is a 1.25% percent increase against 2021/22 (80).

14.2 There were 2 complaints made to the ICO during 2022/23. This is a 33% percent decrease against 2021/22 (3). Both complaints were resolved with no further action.

14.3 There were no recorded data incidents in 2022/23 that required the Council to self-report to the Information Commissioner (0 in 2021/22).

15 Key events and achievements during the year

15.1 **Schools Update**. As at 4 April 2023 49 of the 58 schools who bought in Information Governance support last year have signed up again for the service level agreement (SLA). At present the income received is £44,732 with another £9,483 due if the remaining primary schools and Trust complete their SLA renewal.

15.2 The 2023/24 audit cycle will touch on aspects of previous versions such as training and breaches but will focus on reviewing, and where necessary, updating the Record of Processing Activity (ROPA) for each school. Audit plans are being developed and appointments will be scheduled after Easter.

15.3 **The NHS Data Security and Protection Toolkit (DSPT)** The DSPT compliance audit was submitted on Friday 24th February. The audit tool has accepted our submission as 'standards met' and awarded our certification. There still remains the potential for further evidence inspections once the NHS auditors have reviewed our submission.

15.4 **Members IG face to face training** was conducted in February 2023 and all Members were invited to attend. There were 10 members in total that either did not complete the Members IG training online or attend the face to face training. Details were disclosed in Q4 2022/23 SIRO Report

15.5 **IG and Cyber Security training.** Compliance with the Council's mandatory IG training was published in the Q4 SIRO report. 96.44% compliance was recorded against the IG training Course and 94.68% compliance was recorded against the DOJO Cyber Security training course. Mandatory IG training roll out for 2023/24 is currently being progressed by the E-Learning team. This will be promoted during April 2023 to encourage early completion.

15.6 The Council successfully defended a compensation claim following an allegation of a breach of current UK Data Protection legislation. The Data Protection Officer gave evidence in court defending the Council's position to apply vexatious status to a request from a data subject. The court found in the Council's favour and the claim was dismissed

15.7 **The Transparency DataShare** is due to be updated to populate the required datasets required for 2022/23. IG will continue to encourage departments to consider publication of datasets where they are routinely required to produce FOI responses in order to avoid costly impact on resource. IG will work with those departments where frequent FOIs have been identified to suggest a timetable for publication. New datasets for the 2022/23 publication will be due by the end of June 2023.

INSURANCE

16 Insurance Policies

16.1 Following the completion of a tender exercise for the Council's insurance cover, Executive Board approved the award of new contracts with effect from 1 April 2023 at its March meeting. The Council's main policies are being provided under a long term agreement for an initial period of three years with an option to extend for a further two. Separate policies are in place for specialist covers which include terrorism, fine arts, marine and hired in plant.

16.2 During the year, the Insurance Team has continued to provide advice and support to departments regarding insurance requirements and claims. The team has also liaised with key contacts in relevant departments, Zurich and relevant solicitors to discuss and provide appropriate evidence to support the Council's defence of claims. This input has continued to prove a valuable link between the insurer, their appointed solicitors and the Council as it has allowed us to give guidance to solicitors when settlement may be beneficial and to provide detailed technical support to defend cases successfully.

17 Claims Management

17.1 Details of employer liability claims and incidents were provided to health and safety colleagues and ad hoc claims reports were produced for managers on request during the year. Work is planned during 2023/24 to develop a claims dashboard to provide up to date claims data to Chief Officers and senior managers.

17.2 During 2022/23 the Insurance Team were notified of 222 non-injury claims and incidents that were managed in-house (49 claims and 173 incidents). This compares to 216 managed in-house in 2021/22. The figure includes 85 for adopted highway and other highways related matters and 67 relating to motor vehicles. These included cases where claims were refuted, as the Council had an appropriate defence. Following a review of the evidence provided by departments nine were settled during the year, totalling £14,217, compared to eight in 2021/22, totalling £5,603. This approach has benefitted the Council by reducing the claims handling costs of £140 per claim, which would otherwise have been charged by Zurich to handle these on the Council's behalf, and improved customer satisfaction and the Council's reputation by dealing with these claims promptly.

17.3 In addition to these savings, where we do not have a defence, where possible the Team has requested invoices for repairs etc. to be sent direct to the Council in respect of those claims being settled in-house, enabling us to recover the VAT.

17.4 Zurich Municipal engages local solicitors to assist in defending claims against the Council. The Insurance team liaises with the solicitors to discuss cases and their defence and the solicitors provide detailed information regarding caseload management. They also contest the costs of settlements including claimants' solicitors' legal fees and costs, saving the Council and our insurer's significant sums.

17.5 In the last year this has saved £30,842 on costs initially claimed by third party solicitors. It should be noted that, since the introduction of fixed recoverable costs, most costs claimed cannot be significantly challenged and are calculated by a fixed predictable costs matrix. The solicitors have also made significant savings on final settlements compared to total initial reserves in respect of cases settled in the year amounting to £674,996, a saving of 64%. The outcomes of billed claims are illustrated in the final chart at Appendix 2.

18 Insurance Claims Experience

18.1 The numbers of claims and incidents notified to the Insurance team in the last three years are set out in the table below. The trends in claims and incidents volumes and values notified to the Council over this period, grouped by the class of business, are also set out in the table and charts in Appendix 2.

Class of business	No of Incidents			No of Claims			Total		
	20/21	**21/22**	**22/23**	**20/21**	**21/22**	**22/23**	**20/21**	**21/22**	**22/23**
Employers Liability	5	0	7	6	5	4	11	5	11
Motor	24	32	29	28	45	52	52	77	81
Other	0	0	6	1	2	5	1	2	11
Property	11	15	9	27	16	12	38	31	21
Public Liability	74	92	99	103	91	82	177	183	181
Total	**114**	**139**	**150**	**165**	**159**	**155**	**279**	**298**	**305**

Class of business	Total Potential Value of Claims		
	20/21	**21/22**	**22/23**
Employers Liability	129,439	55,130	22,762
Motor	128,446	62,387	123,070
Other	0	1,208	52,813
Property	137,131	465,782	146,368
Public Liability	1,235,318	1,080,600	529,993
Total	**1,630,334**	**1,665,107**	**875,006**

18.2 Injury claims may be made up to three years after the date of the event leading to the claim, or, in the case of long tail injury claims (i.e. those claims which are made or settled a long time after the related policy has expired), three years after the person first became aware they have suffered the injury. Claims of this type include noise/hearing loss, hand arm vibration, and asbestos related illnesses. Claims relating to children, can be received up to three years after the young person's 18th birthday. Non-injury claims may be made up to six years after the date the loss/damage occurred.

18.3 In July 2019, the Government announced a change in the Discount Rate used to calculate the payments of any long-term injury claims under motor, public and employers liability cover, raising this from -0.75% to -0.25%. The revised rate was effective for claims settled from 5 August 2019. The change to the Rate was prompted by the Civil Liability Act 2018, which came into force in December 2018. It provided for a review of the Discount Rate with a deadline of 6th August 2019 to announce any new rate.

18.4 Whilst the change will lead to savings for defendant insurers, (estimated to be between £230m and £300m), it was not quite as much as the industry had hoped for and still leaves claimants in a far better position than they had faced before March 2017. The change is reflected in the total costs of claims figures reported. This affects the amount paid under personal injury claims and where damage levels are set by the Courts.

18.5 We are continuing to work with departments to ensure that relevant documents are retained and investigations carried out so an adequate defence can be maintained against claims received. If there is no documentation or records available, we do not have a defence.

19 Municipal Mutual Insurance (MMI)

19.1 A number of years ago the Council was insured by MMI. This company got into financial difficulty and ceased trading in 1992 but maintained the claims arising whilst it was still solvent. In November 2012 the MMI Board of Directors triggered the Scheme of Arrangement, as a solvent run-off could no longer be foreseen. After completing discussions with their professional advisers, the Directors concluded that there was no other alternative to insolvent liquidation.

19.2 As a result, control of MMI passed to the Scheme Administrator, Gareth Hughes of Ernst & Young LLP, who, in accordance with the terms of the Scheme, undertook a financial review of the Company and, in consultation with the Scheme Creditors Committee, considered the extent to which any levy was to be imposed upon Scheme creditors.

19.3 Although MMI note that all claims would continue to be paid until a decision on the levy was made and communicated to the Scheme Creditors, all members who had historic periods of cover with MMI, were urged to urgently consider their financing arrangements for these periods.

19.4 As one of the local authorities who are members of the Scheme of Arrangement, the Council will be liable to pay any remaining outstanding claims as and when required. There are a number of these long tail claims, where the cause is pre 1993, relating to child abuse/failure to remove cases or health related issues such as asbestos related illness, noise and vibration white finger, which have been subject to numerous legal challenges.

19.5 Predicting ultimate claims cost for occupational diseases arising from past exposure is extremely difficult and whilst the current claw back from the Council will be 25% it is possible that there could be further claw back over the next 10 to 20 years, as incurred but not reported claims are translated into reported claims over this time.

19.6 The scheme of arrangement with MMI was always expected to have a clear run-off. However, the Council previously estimated the potential cost to the Council, if the scheme is invoked, could be over £2.3 million at the current calculation, along with any new claims. This is taken into account when the minimum level of balances is reviewed during the annual budget process, and in assessing contingent liabilities when the Statement of Accounts is prepared.

19.7 As the scheme of arrangement has now been triggered, since 2014 the Council has paid levies totalling 25% (amounting to £494,000) on known claims at the time. A provision of approximately £319,000 has also been established against the possibility of the levy increasing to the maximum estimated amount of 28%, retaining £250,000 as an earmarked reserve towards future claims.

19.8 As a consequence of the levy, since 2014 the Council has been responsible for self-insuring, initially 15% and currently 25% of any future claims. The Council is now required to pay all MMI related claims and associated legal costs as and when these are settled and submit invoices to the Scheme Administrator to reimburse the 75% portion they are responsible for..

19.9 The Council receives an annual statement from MMI to update on its liabilities in respect of the Scheme of Arrangement and the Finance department have been kept fully aware of this liability.

5. RATIONALE

Within the Corporate Risk Management Strategy there is a requirement to report annually to the Audit and Governance Committee on the progress of risk management within the Council.

The key issues detailed above provide the members of the Committee with a summary of the elements, key issues and work undertaken by various teams relating to risk management activity across the Council during the year ended 31 March 2023.

The details reported provide assurance to the Committee on the adequacy of the Risk Management Strategy and the associated risk management control environment within the Council.

6. POLICY IMPLICATIONS

As indicated above, this report is part of the requirements of the Corporate Risk Management Strategy. These requirements are constantly being reviewed and updated to reflect the changes that have taken place in respect of the risk management arrangements within the Council.

7. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

8. LEGAL IMPLICATIONS

There are no direct legal implications from this report.

9. RESOURCE IMPLICATIONS

There are no direct resource implications from this report.

10. EQUALITY AND HEALTH IMPLICATIONS

The decisions to be taken do not change policy and do not require any further consideration in respect of equality or health issues.

11. CONSULTATIONS

Members of the Statutory Governance Officers Group.

CONTACT OFFICER:	Colin Ferguson, Head of Audit & Assurance
DATE:	11 July 2023.
BACKGROUND PAPERS:	Corporate Risk Management Strategy and Framework 2021/26

ANNUAL RISK MANAGEMENT REPORT 2022/23

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Summary Risk Register

Update Create Insert

Directorate:
Department: Corporate Risk Register
Service:
Quarter and Year: Quarter 4 - 2022/23 Date of last review: 31-Dec-22
Date: 31-Mar-23 Date of next review: 30-Jun-23

Risk No	Risk Description	Date Raised	Strength of Existing Controls	Inherent L	Inherent I	Inherent Risk Rating	Residual L	Residual I	Residual Risk Rating	Target L	Target I	Target Risk Rating	Risk Owner(s)	Key Contact(s)	Risk Status	Last Risk Review Date	Previous Residual L	Previous Residual I	Previous Residual Risk Rating	Change in Score
1	Failure to deliver a balanced budget and Medium Term Financial Strategy may result in a Government-appointed Commission taking control of the Council	26-Jan-15	Fair	5	5	HIGH	3	5	HIGH	1	3	LOW	Dean Langton	Simon Ross	Open	24-Apr-23	3	5	HIGH	-
2	Failure of the Council's assets or failure to manage these in a proactive and co-ordinated way (Assets include Buildings, Infrastructure)	25-May-11	Fair	3	5	HIGH	2	4	MEDIUM	2	2	LOW	Martin Kelly	Martin Eden, Rob Addison, Michael Hardman	Open	20-Apr-22	2	4	MEDIUM	-
4	The Council is not able to effectively influence and shape new partnership structures to respond to changes occurring in the public sector.	07-Feb-12	Good	3	3	MEDIUM	2	3	LOW	2	2	LOW	Denise Park	Mohsin Mulla / Katherine White	Open	31-Mar-23	2	3	LOW	-
5	There is a risk that governance and decision making arrangements fail	25-May-11	Good	2	4	MEDIUM	2	2	LOW	1	1	LOW	Asad Laher	Asad Laher	Open	27-Jul-22	2	2	LOW	-
7	Ensure BwD delivers its CCA statutory functions of risk assess, emergency planning, response, recovery, to protect the Community/enhance the Council's resilience, mitigate reputational and financial damage. Corporate Objectives at risk - 1,2,5,6.	25-May-11	Good	4	5	HIGH	1	5	LOW	1	5	LOW	Denise Park	Corinne McMillan, Jenna Russett-Knott, Sarah Riley	Open	31-Mar-23	1	5	LOW	-
7b	Ensure the delivery of the CCA Business Continuity Management (BCM) and Business Continuity Promotion (BCP) arrangements are in place. Incorporating preparedness, validating training/exercising of procedures and plans in order to protect BwD and enhance community resilience. Corp Obj 1,2,5,6 link	22-Sep-16	Good	3	4	MEDIUM	2	4	MEDIUM	1	3	LOW	Denise Park	Corinne McMillan, Jenna Russett-Knott, Sarah Riley	Open	31-Mar-23	2	4	MEDIUM	-
10	Due to the breakdown of community relations or a deterioration of community cohesion, greater risk of hate crime, extremism, radicalisation or polarisation of communities.	07-Feb-12	Good	4	5	HIGH	2	3	LOW	1	3	LOW	Denise Park	Katherine White /Mark Aspin	Open	18-Nov-22	2	3	LOW	-
11	Failure to improve the education and skills for our young people	20-Aug-13	Good	4	4	HIGH	3	3	MEDIUM	2	3	LOW	Jo Siddle	Michelle Holt	Open	23-Apr-23	3	3	MEDIUM	-
13	Failure to prevent data loss and privacy incidents (Information Governance) leading to financial/Data loss, disruption or damage to the reputation of the Council	26-Sep-14	Good	5	4	HIGH	3	3	MEDIUM	2	2	LOW	Dean Langton	Sarah Critchley	Open	24-Apr-23	3	3	MEDIUM	-
14	High profile serious/critical safeguarding incident/case that is known to Council services	20-Aug-13	Fair	4	5	HIGH	3	5	HIGH	2	5	MEDIUM	Mark Warren (DASS) / Jo Siddle (DCS)	Katherine White/Emma Ford	Open	24-Apr-23	4	5	HIGH	Down
15	Failure, at a corporate level, to comply with Health & Safety legislation and provide both a safe working environment for employees and the provision of a safe environment for service users.	01-Apr-20	Fair	4	4	HIGH	3	3	MEDIUM	2	3	LOW	Corinne McMillan	Jenna Russett-Knott	Open	13-Apr-23	3	3	MEDIUM	-
17	Cyber Risk - Risk of financial/Data loss, disruption or damage to the reputation of an organisation from compromise of its IT systems.	15-Mar-16	Good	5	5	HIGH	3	5	HIGH	3	3	MEDIUM	Dean Langton	Michael Ahern	Open	17-Mar-23	3	4	MEDIUM	Up
18	Insufficient budget for service delivery if MTFS income targets from the Growth Agenda are not met.	29-Nov-16	Good	4	5	HIGH	3	5	HIGH	3	4	MEDIUM	Martin Kelly	Simon Jones	Open	27-Jul-22	3	4	MEDIUM	Up
22	Failure to recruit, adequately develop and retain an adequately experienced and appropriately qualified workforce may lead to the Council failing deliver its corporate plan priorities and to fully meet the needs of services users, the community and other stakeholders.	27-Jan-22	Fair	3	4	MEDIUM	2	3	LOW	2	2	LOW	Corinne McMillan/Mandy Singh/Jill Readfern	Mandy Singh/Jill Readfern	Open	15-Mar-23	2	4	MEDIUM	Down
24	Failure to respond effectively and proportionately to develop and implement plans/adaptations, within the scope of the Council's control and influence, in pursuit of its ambition to be a Carbon Neutral borough.	07-Apr-22	Good	5	5	HIGH	4	4	HIGH	3	3	MEDIUM	Martin Kelly	Gwen Kinloch	Open	11-Apr-23	4	4	HIGH	-
25	The impact that the cost of living crisis may have on local businesses and the residents and the implcations that this may have on Council staff, services and budgets.	05-Apr-22	Fair	5	5	HIGH	3	4	MEDIUM	2	3	LOW	Mark Warren	Richard Brown, Andy Ormerod	Open	17-Mar-23				-
26a	The Council's reputation will be affected and may be subject to special measures as a result of a failure of Adult Social Care to satisfactorily meet statutory or regulatory requirements.	17-Aug-22	Fair	5	4	HIGH	3	4	MEDIUM	2	4	MEDIUM	Mark Warren (DASS)	Katherine White	Open	24.4.23				-
26b	The Council's reputation will be affected and it may be subject to special measures as a result of a failure of Children's Services and Education to satisfactorily meet statutory or regulatory requirements.	17-Aug-22	Good	5	5	HIGH	3	3	MEDIUM	3	3	MEDIUM	Jo Siddle (DCS)	Emma Ford Michelle Holt Imran Akuji	Open	28-Apr-23				-
27	BwDBC response to the LGA (Inquiry core participant) with the necessary evidence in relation to the Covid-19 Public Inquiry. Encouraging preparedness for future asks by the LGA and also directly from the Covid-19 Public Inquiry.	02-Nov-22	Good	4	4	HIGH	2	2	LOW	2	2	LOW	Corinne McMillan	Mohsin Mulla	Open	31-Mar-23				-
28	On-going industrial unrest and associated strike action in the NHS and other key partners and sectors could result in disruption to public services.	21-Dec-22	Good	5	4	HIGH	5	3	HIGH	3	3	MEDIUM	Denise Park	Mark Warren / Corinne McMillan	Open	31-Mar-23				-
29	The Council is unable to continue to deliver its services adequately and effectively due to a failure in the IT infrastructure	28-Feb-23	Fair	5	5	HIGH	4	4	HIGH	3	3	MEDIUM	Dean Langton	Michael Ahern	Open	06-Apr-23				-

The following corporate risks are closed:

Risk 3: IT Infrastructure (Resilience) – Old Town Hall.

Risk 6: Failure to deliver the management, workforce and organisational objectives for workforce reviews within the agreed budget.

Risk 8: Failure to contribute effectively to economic growth within Blackburn with Darwen.

Risk 9: Failure to improve health outcomes within Blackburn with Darwen could result in the communities' health and wellbeing position or conditions deteriorating.

Risk 12: The Council does not effectively capitalise on potential opportunities to improve housing quality or build more houses in the Borough to maximise the income available from the new homes bonus and increased council tax.

Risk 16: Failure to deliver a robust Medium Term Financial Strategy (MTFS) with adequate reserves to meet unforeseen circumstances and with the resource capacity to deliver statutory services.

Risk 19: EU Exit - Risk of inadequate planning/preparedness at a national & local level for a "no deal" exit from the EU arrangements.

Risk 20: The Council is unable to deliver its critical and core services and functions during the response and mitigation phase of a COVID-19 outbreak, due to high staff absences and a failure of effective business continuity management.

Risk 21: The Council is unable to recover its critical functions, core services and income generating functions during the transition and recovery phases of a COVID-19 outbreak, due to financial impacts, high staff absences and a failure of effective business continuity management.

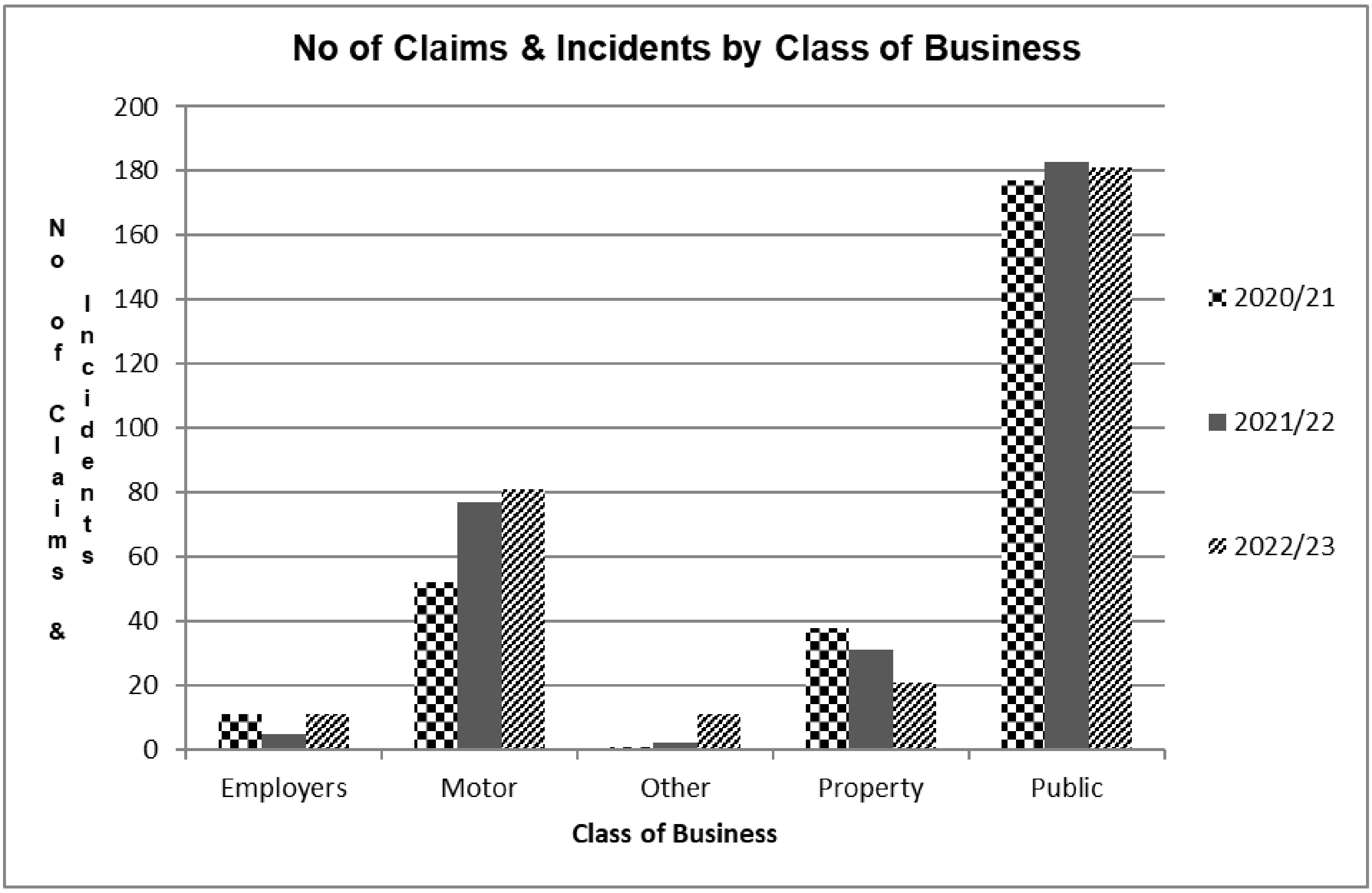
Risk 23: Failure to have an inclusive public health Covid-19 recovery plan that focusses on those most impacted by the pandemic and plan effectively for COVID and influenza.

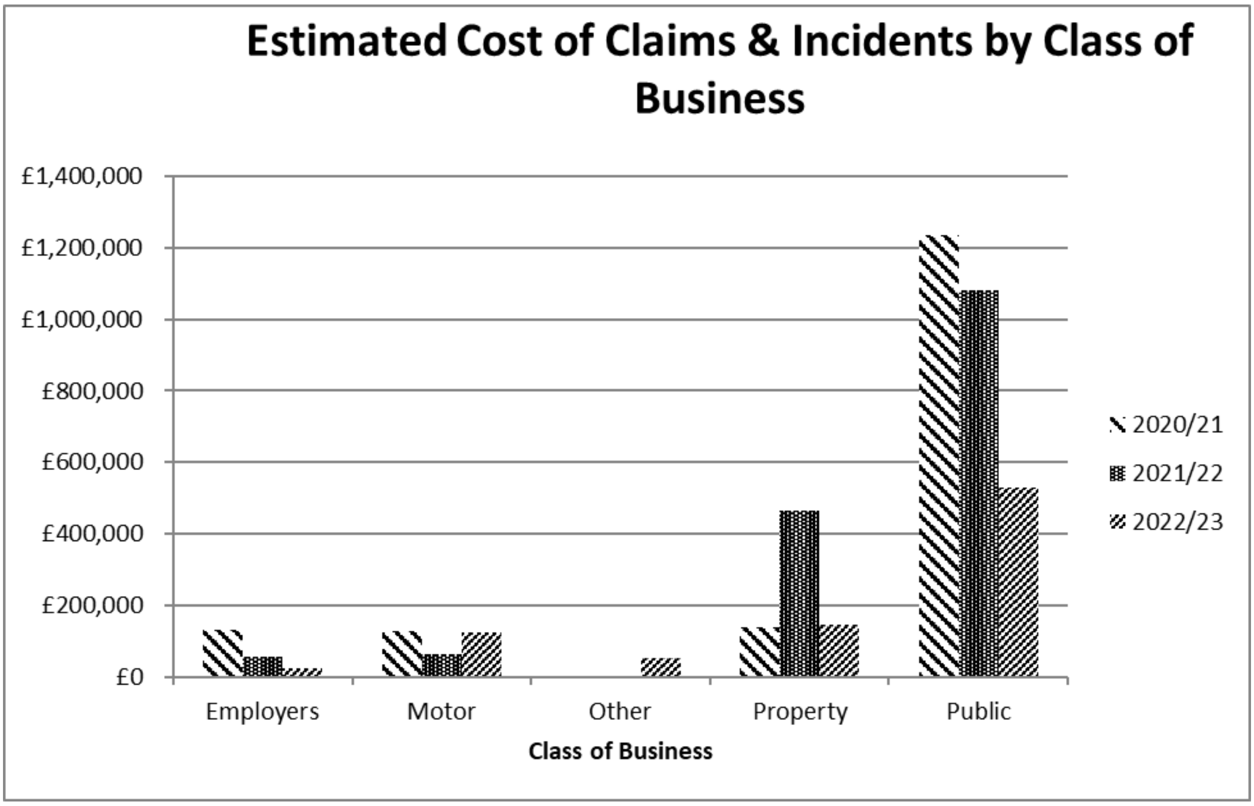
Appendix 2

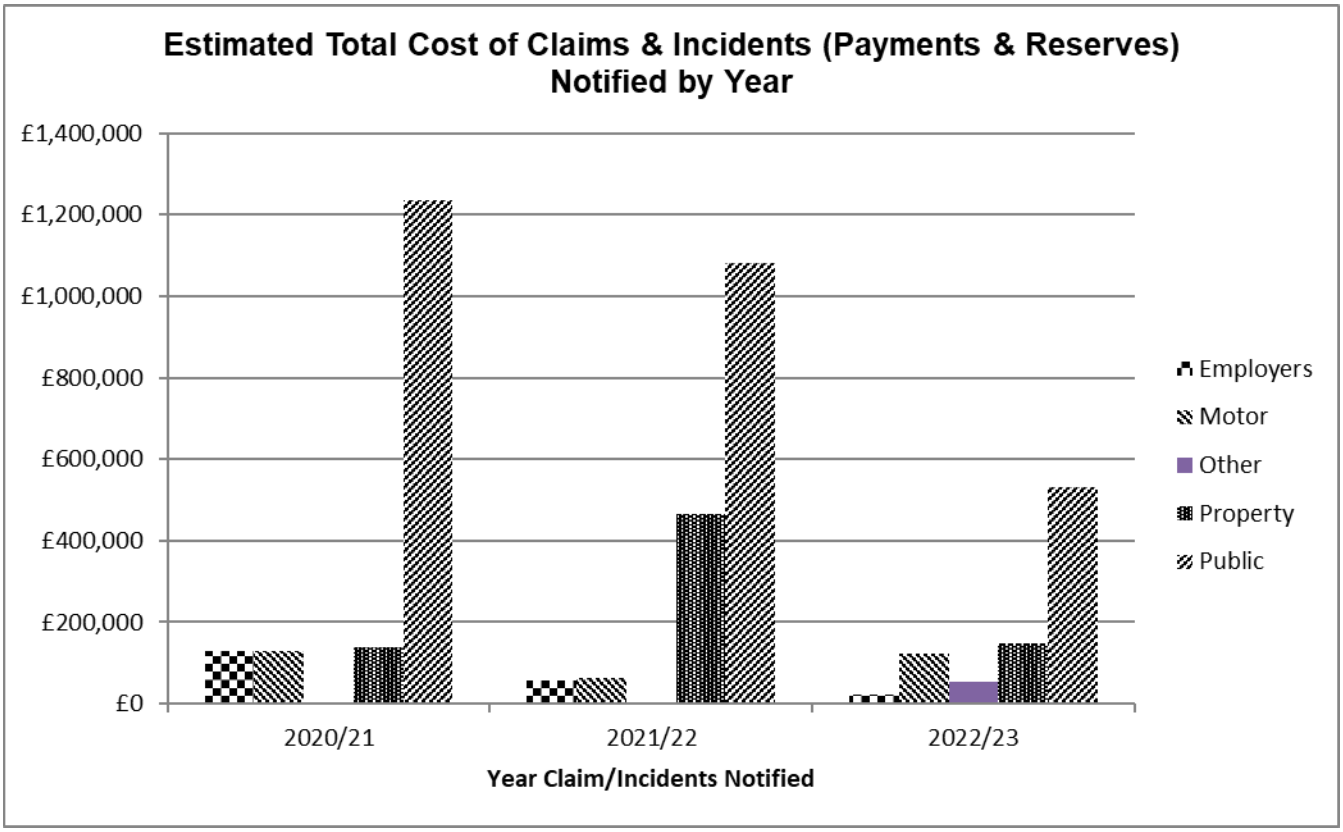
Insurance Claims Statistics and Trends

Claims and Incidents Notified by Year

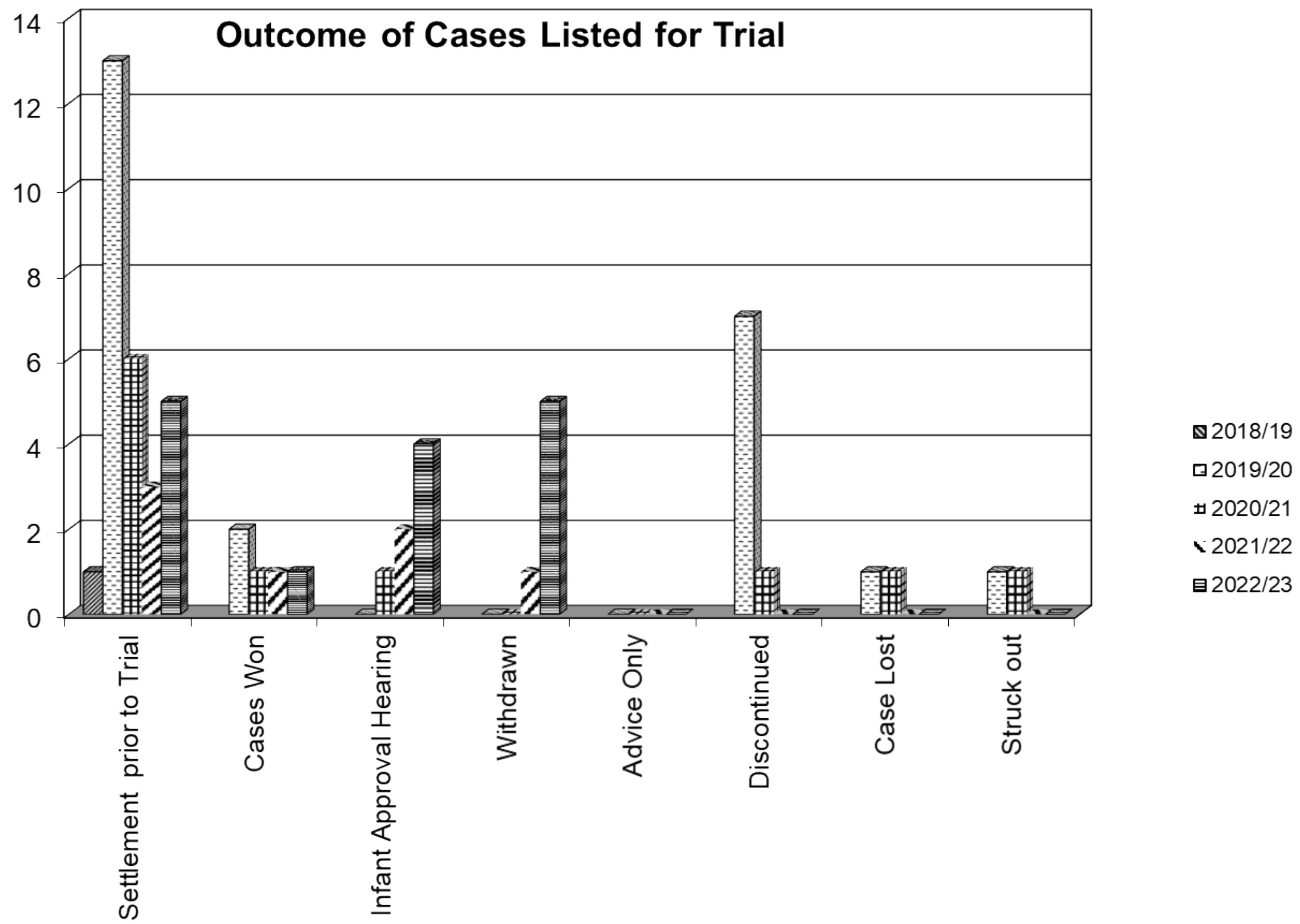
	2020/21		2021/22		2022/23		Totals	
Policy	**No**	**Value**	**No**	**Value**	**No**	**Value**	**No**	**Value**
Employers	11	£129,439	5	£55,130	11	£22,762	**27**	**£207,331**
Motor	52	£128,466	77	£62,387	81	£123,070	**210**	**£313,923**
Other	1	£0	2	£1,208	11	£52,813	**14**	**£54,021**
Property	38	£137,131	31	£465,782	21	£146,368	**90**	**£749,281**
Public	177	£1,235,318	183	£1,080,600	181	£529,993	**541**	**£2,845,911**
Totals	**279**	**£1,630,354**	**298**	**£1,665,107**	**305**	**£875,006**	**882**	**£4,170,467**




Estimated Cost of Claims & Incidents by Class of Business
£1,400,000
£1,200,000
£1,000,000
£800,000
£600,000
£400,000
£200,000
£0
Employers
Motor
Other
Property
Public
Class of Business
2020/21
2021/22
2022/23


Estimated Total Cost of Claims & Incidents (Payments & Reserves) Notified by Year
£1,400,000
£1,200,000
£1,000,000
£800,000
£600,000
£400,000
£200,000
£0
2020/21
2021/22
2022/23
Year Claim/Incidents Notified
Employers
Motor
Other
Property
Public

Outcome of Cases Handled by Fobes Solicitors



TO:	**Audit & Governance Committee**
FROM:	**Head of Audit & Assurance**
DATE:	**11 July 2023**

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT **Counter Fraud Annual Report 2022/23**

1. PURPOSE

1.1 To inform the Audit & Governance Committee of the results of the counter fraud activity that has been carried out during the year ended 31 March 2023 to minimise the risk of fraud, bribery and corruption occurring in the Council, and the outcome of investigations carried out into potential or suspected fraud or irregularities.

2. RECOMMENDATIONS

2.1 The Committee is asked:

- to consider the Counter Fraud Annual Report (as set out in Appendix A) as part of its monitoring role.

3. BACKGROUND

3.1 The Council is committed to the principles of good governance and recognises the importance of operating in an open and accountable manner, whilst demonstrating high standards of conduct. The Council expects all its stakeholders (including its councillors, employees, partners and contractors) to act honestly, with integrity and to safeguard the public purse. The Council does not accept any fraud or corruption and any identified case will be thoroughly investigated and appropriately dealt with.

3.2 The Audit & Governance Committee has a role in helping the Council to implement the values of good governance, including effective arrangements for countering fraud and corruption risks. To achieve this the Committee's terms of reference include responsibility to ensure that the Council maintains a robust counter fraud culture via the implementation of the Counter Fraud Strategy. The Strategy is backed up by effective controls and procedures, which define the respective roles of management and Audit & Assurance.

3.3 The Council's Counter Policy Statement and supporting Strategy have recently been reviewed and updated to ensure that they provided an effective structure and approach to ensure that the counter fraud arrangements in place within the Council reflected latest guidance and best practise and are embedded into the everyday processes of financial management activity and decision making within the Council. The updated Policy and Strategy were approved by the Executive Member for Finance & Governance during the year.

3.4 The Strategy includes a requirement that an annual fraud report is prepared that includes and evaluation of the success of the strategy in achieving its objectives.

4. RATIONALE

4.1 The Annual Counter Fraud Report provides the Committee with assurance on the effectiveness of the counter fraud arrangements in place within the Council. It supports the Committee's roles of reviewing the assessment of fraud risks and potential harm to the Council from fraud and corruption, and ensuring the Council maintains a robust counter fraud culture via the implementation of the Counter Fraud Strategy.

5. KEY ISSUES

5.1 It is one of the requirements of the Accounts and Audit (England) Regulations 2015 that the Council must have measures in place 'to enable the prevention and detection of inaccuracies and fraud'.

5.2 The attached report (see Appendix A) provides a summary of the work undertaken during the year, which supports the overall conclusion on the measures in place relating to this area.

6. POLICY IMPLICATIONS

6.1 This report is part of the requirements of the Counter Fraud Strategy. These requirements are periodically reviewed and updated to reflect the changes that have taken place in respect of the counter fraud arrangements within the Council.

6.2 It is also contributor to the Annual Governance Statement, which assesses the effectiveness of the Council's own management of its policy objectives.

7. FINANCIAL IMPLICATIONS

7.1 There are no financial implications arising as a result of this report.

8. LEGAL IMPLICATIONS

8.1 There are no direct legal implications from this report.

9. RESOURCE IMPLICATIONS

9.1 There are no resource implications arising as a result of this report.

10. EQUALITY and HEALTH IMPLICATIONS

10.1 There are no equality or health implications arising as a result of this report.

11. CONSULTATIONS

11.1 This report has been discussed with the Council's Statutory Governance Officers Group.

Contact Officer:	Colin Ferguson, Head of Audit & Assurance – Ext: 5326
Date:	28 June 2023
Background Papers:	Counter Fraud Strategy 2022/25

Appendix A

Blackburn with Darwen Borough Council

Counter Fraud Annual Report 2022/23

Audit & Assurance
Finance Department
June 2023

1. Background

1.1. The Council is committed to ensuring that opportunities for fraud and corruption are reduced to the lowest possible level through a combination of the following:

- Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation;
- Acknowledging and understanding fraud risks, and the harm they cause to the organisation, its objectives and service users, and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response;
- Preventing and detecting fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture; and
- Responding by punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.

1.2. The purpose of this report is to present the work carried out during the past financial year to minimise the risk of fraud, bribery and corruption across the Council. This supports the requirements of the Accounts and Audit Regulations (England) 2015 which states that the Council must have measures in place ‘to enable the prevention and detection of inaccuracies and fraud’.

1.3. The report also sets out planned work for 2023/24 and highlights some of the current areas of fraud risk.

2. Key mechanisms – policies and procedures

2.1. Effective policies and procedures are essential to ensure that all officers and members are aware of their roles and responsibilities in identifying and managing the risk of fraud. All policies and associated documents are available on the Council’s intranet.

Whistleblowing Policy

2.2. The Council has an up to date Whistleblowing Policy which is available to all staff and members via the intranet.

Counter Fraud Strategy

2.3. The Counter Fraud Policy Statement and Counter Fraud Strategy 2022/25 were updated during the year and approved in July 2022. These key documents are consistent with the Fighting Fraud and Corruption Locally Strategy 2020.

Fraud Risk Register

2.4. To enable managers to identify and mitigate fraud risks a fraud risk register was created in 2016/17. Work has been undertaken with service managers during the year, in order to ensure that risk owners review and update the fraud risks for which they are responsible. This review highlighted new risks which have been added to the register.

Reporting and awareness

2.5. Audit & Assurance reports to the Audit & Governance Committee on a regular basis with corporate fraud updates.

2.6. The Council subscribes to the National Anti-Fraud Network (NAFN), which promotes the sharing of information between Authorities and publishes regular bulletins on fraud cases and attempted scams. These fraud alerts are then cascaded to ensure that key officers receive key messages and take appropriate action where appropriate. In addition, the Lancashire Chief Audit Group shares information and alerts regarding potential scams which are being attempted, or have been carried out in the region, as and when these are identified locally. These are also cascaded to relevant departments and highlighted on the Council's website where appropriate. Fraud cases are also discussed at the Group's meetings during the year.

2.7. The Principal Internal Auditor (Counter Fraud) is also a member of the North West Chief Auditors Counter Fraud sub group. This group has met on a regular basis during the year to consider the scope for joint working across the region on areas such as business rates and personal budgets, as well as to develop a common approach to key fraud risks and share best practise.

2.8. A fraud awareness training course is available on the Council's e-learning portal. This course has been undertaken by 1,087 people since its introduction (86 people during 2022/23) and Audit & Assurance continue to promote the course during its engagement with departments and schools. New members of the Audit & Governance Committee have also been provided with a copy of the CIPFA Counter Fraud Workbook for Councillors during the year. This has been produced by CIPFA and the Local Government Association. It is designed as a learning aid on this area for elected members and includes guidance, challenges cases studies and links to other information on this area.

3. Risk based planning to minimise the risk of fraud

3.1. The annual audit planning process includes consideration of the fraud risk. The 2023/24 Annual Audit Plan, approved by the Audit & Governance Committee in March 2023, included provision to support a programme of proactive work that minimises the risk of loss to the Council. The annual plan also includes an allocation of time for reactive investigations.

4. Work and investigations carried out in 2022/23

National Fraud Initiative (NFI)

4.1. The Council is required by law to provide send data to the Cabinet Office who administers this national data matching exercise. The returned data matches identify anomalies for further follow up and review by the Council to determine any actions required. Audit & Assurance co-ordinate the exercise and carry out further review of certain reports, including Payroll anomalies and suspected fraudulent Council Tax Support claims.

4.2. Work on the NFI 2022/23 exercise is ongoing following receipt of data from the Cabinet Office in January 2023. In total, 6,393 data matches have been received and include queries in the following areas:

- Housing Benefit;
- Payroll;
- Blue Badge Parking Permits & Concessionary Travel Passes;
- Creditors Payments, and;
- Procurement

4.3. Work on the NFI 2020/21 exercise was completed during the year. In total 1,641 matches have been processed and 1,050 errors have been identified resulting in total savings of £95,681. Arrangements are in place to recover this money from the individuals concerned where applicable. The table below sets out the areas of activity and the savings that have been identified.

Summary of Results

Area	No. of Errors	Value (£)
Benefits (Housing/Council Tax Support)*	23	£43,507
Resident Parking Permits**	1	£0
Blue Badge Parking Permits***	50	£28,750
Concessionary Travel Passes****	976	£23,424
TOTAL	**1,050**	**£95,681**

* Includes Cabinet Office 'forward estimate savings' figures

** Residents parking permits cancelled and system updated as a result of NFI information

*** The value attached to the Blue Badges Parking Permits has been determined by the Cabinet Office, which considers the average loss of fraud/error to be £575 per case. These permits have either been recovered and destroyed or are in the process of being recovered.

**** The value attached to the Concessionary Travel Passes has been determined by the Cabinet Office, which considers the average loss of fraud/error to be £24 per case. These passes have been cancelled and can no longer be used.

Other counter fraud activity and investigations

4.4. During the year, Audit & Assurance carried out a review of the fuel stock recording system for Council vehicles. This highlighted that strong controls are in place to prevent the misappropriation of fuel. The review made a number of recommendations to strengthen controls in order that fuel costs are properly accounted for and accurately recharged to Council departments.

4.5. Others areas brought to the attention of Audit & Assurance during the year were discussed with management and have been included within the 2022/23 audit plan for detailed review.

5. Priorities for 2023/24

5.1. The 2023/24 Internal Audit Plan makes provision for the following counter fraud activity during the year:

- National Fraud Initiative – co-ordination of the 2022/23 exercise and investigation into data matches;
- Reactive fraud investigations; and
- Development of a pro-active plan of work.

6. Conclusion

6.1. The range of activities and incidents covered in this report highlights the extent to which fraud and error exist as risks to the achievement of the Council's objectives. Our conclusion is that the Council had effective measures to enable the prevention and detection of fraud and irregularities. Work will continue in 2023/24 to ensure that the Council has all the necessary policies and procedures in place to create and promote an environment where fraud, bribery and corruption are not tolerated.

TO:	**Audit & Governance Committee**
FROM:	**Head of Audit & Assurance**
DATE:	**11 July 2023**

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT **Annual Internal Audit Opinion Report 2022/23**

1. PURPOSE

To provide independent evidence to allow the Audit & Governance Committee to fulfil its role and function of providing independent assurance to the Council on the adequacy of the risk management, and internal control arrangements in place within the Council.

2. RECOMMENDATIONS

The Committee is asked:

- to note the content of the Annual Internal Audit Opinion Report for 2022/23 (as set out in Appendix A);
- to consider the overall annual opinion of the Head of Audit & Assurance, which is that **adequate assurance** can be placed upon the Council's framework of governance, risk management and internal control; and
- to note that the internal audit work that supports this opinion has been delivered in accordance with the Public Sector Internal Audit Standards (PSIAS) and that there are no significant areas of non-conformance.

3. BACKGROUND

The internal audit function is required to comply with the requirements of the PSIAS.

The PSIAS require the Head of Internal Audit to present an Annual Opinion Report to the Audit & Governance Committee, which gives an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control. The report should be timed to support the production of the Council's Annual Governance Statement (AGS).

4. RATIONALE

The Audit & Governance Committee, in its role of providing independent assurance to the Council on the adequacy of its risk management framework, overall governance and the associated control environment is required to consider the Annual Internal Audit Opinion Report.

5. KEY ISSUES

The Council is required under the Accounts and Audit (England) Regulations 2015 to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards.

The attached report complies with the requirements of the PSIAS. It includes a summary of the work carried out during the year that supports the overall opinion provided. It sets out any qualifications to the opinion (of which there are none reported for the year), together with reasons for those qualifications, discloses any impairments or restrictions in scope and compares actual work delivered with the 2022/23 Audit Plan, approved by the Committee on 29 March 2022. It also states whether the work has been undertaken in conformance with PSIAS, the results of the Quality Assurance Improvement Programme (QAIP), summary of actual performance against targets/measures and any issues that are considered relevant to the preparation of the AGS.

6. POLICY IMPLICATIONS

This report is a key contributor to the Annual Governance Statement, which assesses the effectiveness of the Council's own management of its policy objectives.

7. FINANCIAL IMPLICATIONS

There are no financial implications arising as a result of this report.

8. LEGAL IMPLICATIONS

This report fulfils the statutory requirements placed upon by the Council by the Accounts & Audit (England) Regulations 2015.

9. RESOURCE IMPLICATIONS

There are no resource implications arising as a result of this report.

10. EQUALITY & HEALTH IMPLICATIONS

There are no equality or health implications arising as a result of this report.

11. CONSULTATIONS

The issues raised in this report have been reported to Directors previously during the year, following the completion of individual audit assignments. Summaries of the issues identified have been reported to the Audit & Governance Committee at its meetings during 2022/23.

This report has been discussed with the Council's Statutory Governance Officers Group.

Contact Officer:	Colin Ferguson, Head of Audit & Assurance – Ext: 5326
Date:	30 June 2023
Background Papers:	2022/23 Annual Audit & Assurance Plan, Strategic Statement and Internal Audit Charter, Audit & Assurance - Progress & Outcomes Committee reports, Audit & Assurance reports and files.

Appendix A

Blackburn with Darwen Borough Council

Annual Internal Audit Opinion Report 2022/23

Audit & Assurance
Finance Department
June 2023

CONTENTS:

SECTION 1 – BACKGROUND

1.1 Introduction

1.1.1 This report details the cumulative activities undertaken by the Council's Audit & Assurance (Internal Audit) section of the Finance Department during the period 1 April 2022 to 31 March 2023. It highlights key issues and themes identified from the audit reviews of the Council's risk management, governance and internal control frameworks. The activities undertaken by the section are primarily directed by a risk-based audit plan, which takes into account the Council's organisational objectives and priorities.

1.1.2 This report is intended to provide the Audit & Governance Committee with:

- an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control;
- a summary of the internal audit work that supports the opinion;
- any qualifications to the opinion together with reasons for the qualifications;
- any impairments or restrictions in scope of the work undertaken;
- a comparison of the audit work actually undertaken with the work planned, including a summary of its performance and quality assurance;
- a declaration that audit work undertaken is in conformance with the Public Sector Internal Audit Standards (PSIAS);
- the outcome of the peer review to assess the Internal Audit team's conformance with the requirements of the PSIAS; and
- details of any issues particularly relevant to the preparation of the Council's Annual Governance Statement (AGS).

1.1.3 This report meets the requirements for Internal Audit to provide an annual internal opinion on the overall adequacy of the Council's framework of governance, risk management and control, as detailed in the PSIAS and demonstrates that the Council is maintaining an adequate and effective system of internal audit as required by the Accounts and Audit (England) Regulations 2015.

1.2 Role of Internal Audit

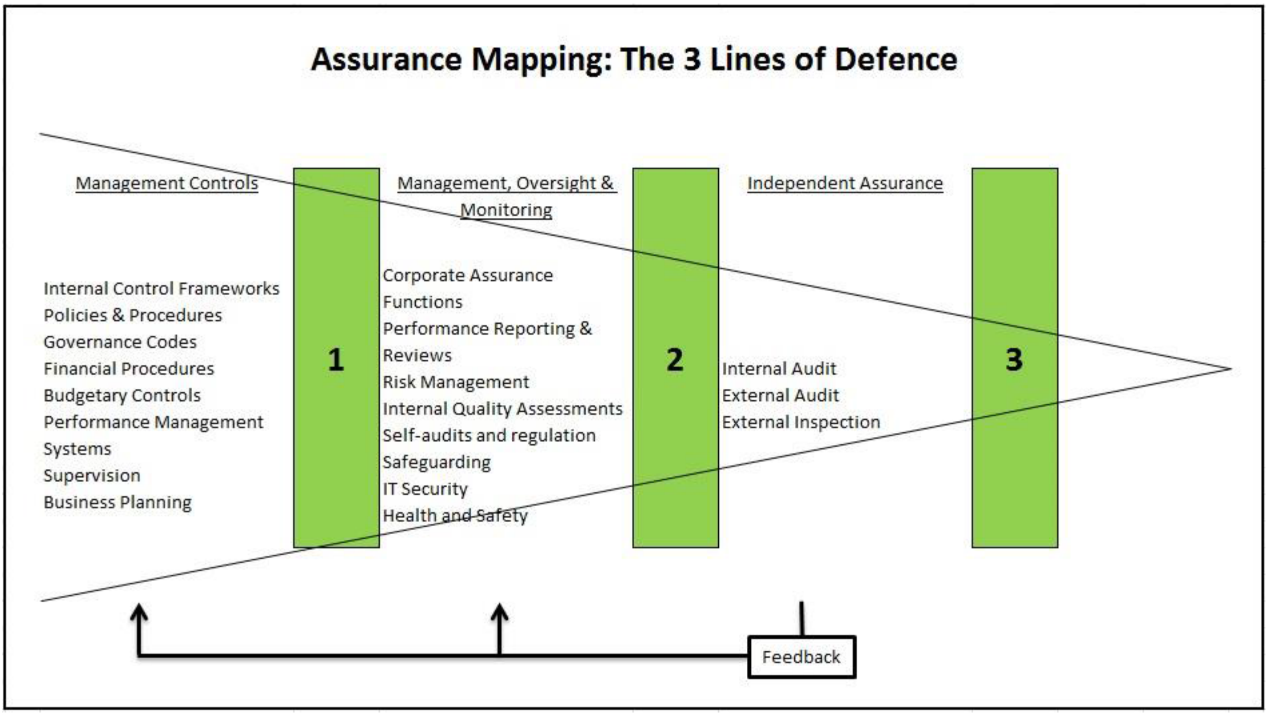
1.2.1 The statutory basis for Internal Audit in local government is the Accounts and Audit (England) Regulations 2015, which state that each authority must:

'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards.'

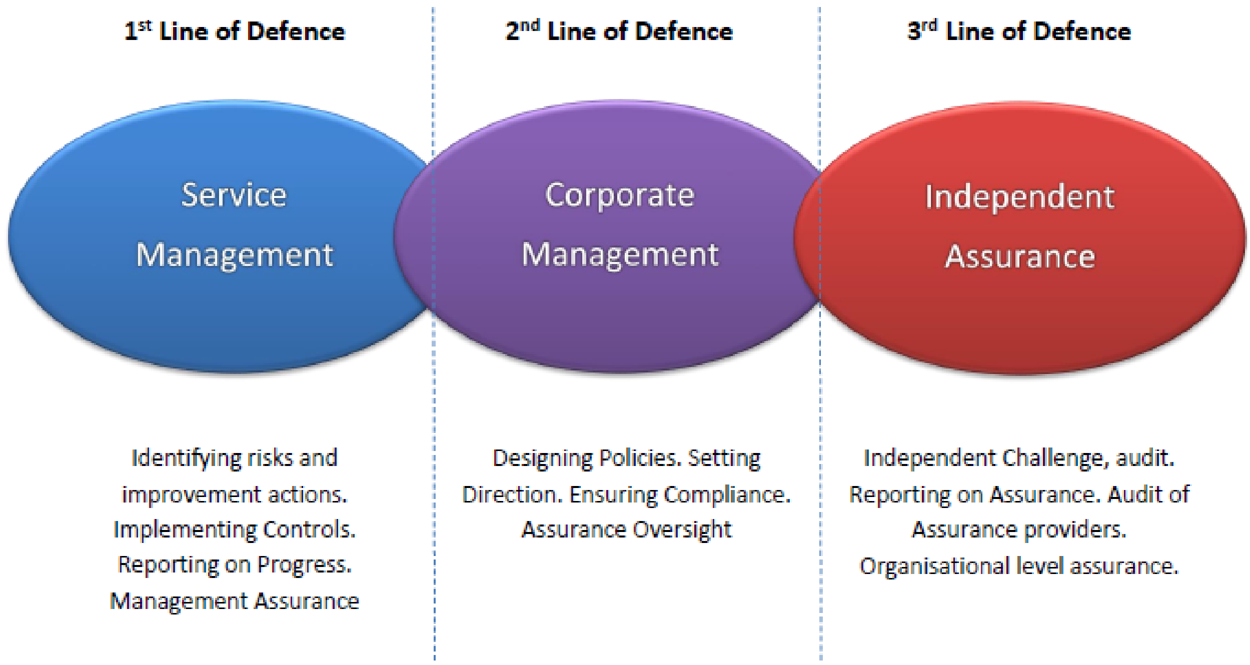
1.2.2 Internal audit work is governed by the PSIAS. The Internal Audit Team has adopted the PSIAS definition of internal audit, which is:

"Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

1.2.3 It should be remembered that internal audit is the Council's 'third line of defence, in a risk management model where management and management controls represent the first line of defence. It is management's responsibility to directly identify, assess, manage and mitigate risks, and maintain adequate and effective systems of risk management, internal control and governance, in accordance with the Council's control and risk management frameworks and procedures. In-service compliance functions, whose role includes confirming the operation of these controls, represents the second line of defence. This also includes those functions who provide the policies, procedures, frameworks, tools and support etc to enable risks and compliance to be managed in the first line. This can include monitoring processes to judge how effective the first line of defence are managing risks. This helps ensure consistency of definitions and measurement of risk. Where such 'second line' compliance functions are available, we focus our audit work on assessing the control exerted by them rather than on repeating their work. This model is illustrated in the table and diagram below:



Risk assurance providers are also illustrated in the following:



1.2.4 Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls. We sit outside the risk management processes of the first two lines of defence. Our main roles are to ensure that the first two lines are operating effectively and advise how they could be improved. We provide an evaluation, through a risk-based approach, on the effectiveness of governance, risk management, and internal control to those charged with governance and senior management.

1.2.5 Internal auditors cannot therefore be held responsible for internal control failures. However, we have planned our work so that we have a reasonable expectation of detecting significant control weaknesses in the areas audited. We have reported all such weaknesses to management as they have become known to us, without undue delay, and have worked with management to develop effective proposals for remedial action to address the issues identified.

1.2.6 Internal audit procedures alone do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities that may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

1.3 Objectives and Scope of Internal Audit

1.3.1 The objectives and scope of Internal Audit are set out in the Internal Audit Charter. The Audit & Governance Committee approve the Charter at least biennially. It was reviewed during 2022 and approved by the Committee at its meeting in March 2022. The Charter complies with the requirements of the PSIAS. The emphasis placed on Internal Audit's role in reviewing both financial and non-financial areas represents the profession's best practice and enables Internal Audit to give an opinion on the adequacy of the Council's key risk management, control, and governance systems.

1.3.2 Internal audit's role includes assessing the adequacy of the risk management process, key internal control systems and procedures and the corporate governance arrangements in place. Testing is performed to ensure the key controls identified operated affectively for the period under review.

SECTION 2 – INTERNAL AUDIT OPINION

2.1 Arriving at the Annual Opinion

2.1.1 The overall opinion on the Council's systems of risk management, control and governance is based on Internal Audit's assessment of the Council's key management arrangements. This framework required to provide management with confidence that the main processes to achieve these business objectives:

- have adequate and effective systems and control process in place to achieve their purpose; and
- are free from material financial and non-financial business risk.

2.1.2 In providing our opinion, it should be noted that assurance can never be absolute. Therefore, only reasonable assurance can be provided that there are no major weaknesses within these systems, based on the results of the testing carried out.

2.1.3 Our opinion on the systems of risk management, control and governance within the Council has been formulated by giving careful consideration to following:

- Planned work undertaken during 2022/23;
- Unplanned work undertaken during 2022/23;
- Follow ups of audit work undertaken during 2021/22 and 2022/23; and
- Other relevant sources of assurance during 2022/23.

2.2 My Annual Audit Opinion

Sufficient, reliable and relevant evidence has been obtained from a range of sources with the organisation other than from internal audit work alone.

I can provide adequate assurance overall, regarding the Council's frameworks of governance, risk management and control. Based on the results of internal audit work undertaken and completed during the period, evidence reviewed, explanations received and the processes reported upon during 2022/23, together with the other sources of assurance available to Internal Audit I consider that, overall, the Council has **adequately designed** systems of risk management, control and governance, which are being **operated effectively** overall.

2.2.1 In forming the annual opinion I have considered the conclusions of the internal audit reviews that have been undertaken during the year, along with the results from the Management Accountabilities Framework (MAF) reporting arrangements and challenge process, Strategic and Assistant Directors annual assurance statements and other external inspection results. I have also reflected on mine and the audit team's experience, observations and understanding of the overall culture within the Council's, its attitude towards control and risk and its improvement journey in response to previous audits and recommendations.

2.3 Qualifications to the Opinion

2.3.1 In providing the overall opinion, consideration is given to the assurance opinions provided during 2022/23 in respect of audits identified in the approved plan as priority 1 risk areas, or on functions that have been identified as corporate risks.

There were no areas in either of these categories where the control opinions provided were less than adequate.

2.3.2 The assurance opinions provided in the finalised the audit reports issued and reported to the Audit & Governance Committee during 2022/23 across the categories of risk management, internal control and governance are detailed in Appendix A attached.

2.4 Work Supporting the Opinion

Planned Work:

2.4.1 The Audit & Governance Committee approved the Audit & Assurance Plan for the year to 31 March 2023 at its meeting on 29 March 2022.

2.4.2 Each internal audit report provides two areas of assurance: (i) an opinion on the control environment based on the internal controls identified in place; and (ii) an opinion on compliance regarding the application of those controls. The level of assurance given is derived from the findings and based on the following definitions:

Control Environment Assurance		
	Level	**Definition**
1	SUBSTANTIAL ASSURANCE	There are minimal control weaknesses that present very low risk to the control environment.
2	ADEQUATE ASSURANCE	There are some control weaknesses that present a medium risk to the control environment.
3	LIMITED ASSURANCE	There are significant control weaknesses which present a high risk to the control environment
4	NO ASSURANCE	There are fundamental control weaknesses, which present an unacceptable level of risk to the control environment.
Compliance Assurance		
	Level	**Definition**
1	SUBSTANTIAL ASSURANCE	The control environment has substantially operated as intended although some minor errors have been detected.
2	ADEQUATE ASSURANCE	The control environment has mainly operated as intended although errors have been detected.
3	LIMITED ASSURANCE	The control environment has not operated as intended. Significant errors have been detected.
4	NO ASSURANCE	The control environment has fundamentally broken down and is open to significant error or abuse.

2.4.3 Internal Audit has completed and formally reported upon 50 assignments including 35 internal control, 10 risk related, and 4 governance reviews, which support our overall opinion on the Council's systems of risk management, governance and internal control. In addition to these, there were 11 reviews in progress at the year-end. A summary of the assurance levels that support our opinion is also provided in Appendix A.

Other/Unplanned Work:

2.4.4 During the year we have carried out a number of other activities, unplanned audit work and provided advice and assistance to managers, departments and schools on a number of areas. A total of 53 audit days has been spent on these areas. A summary of the days on each area is set out in the second graph included at Appendix A.

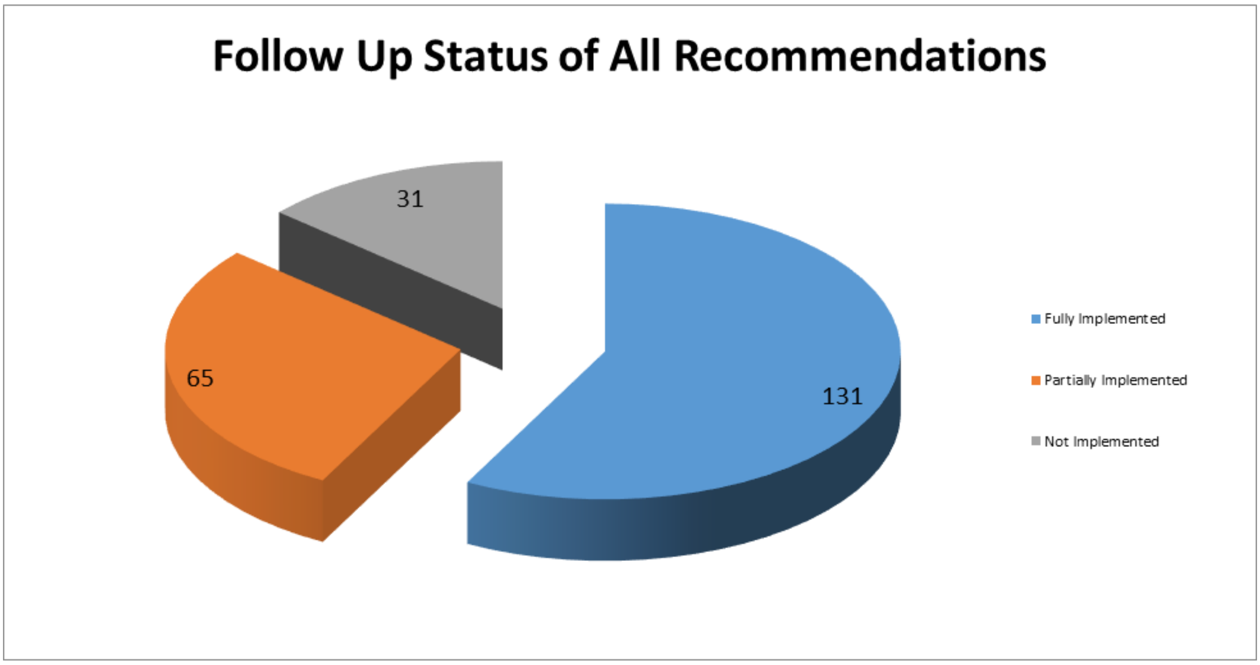
2.4.5 Our other/unplanned work includes the following areas:

- Supporting the Audit & Governance Committee (15 days);
- Annual Reporting (11 days);
- Liaison with departments/DMTs, external audit and responding to general requests from managers for advice/guidance (16 days);
- Specific activity on new systems and programmes or other cross cutting working groups and boards (8 days); and
- Monitoring the implementation of reported recommendations (5 days).

Follow Ups:

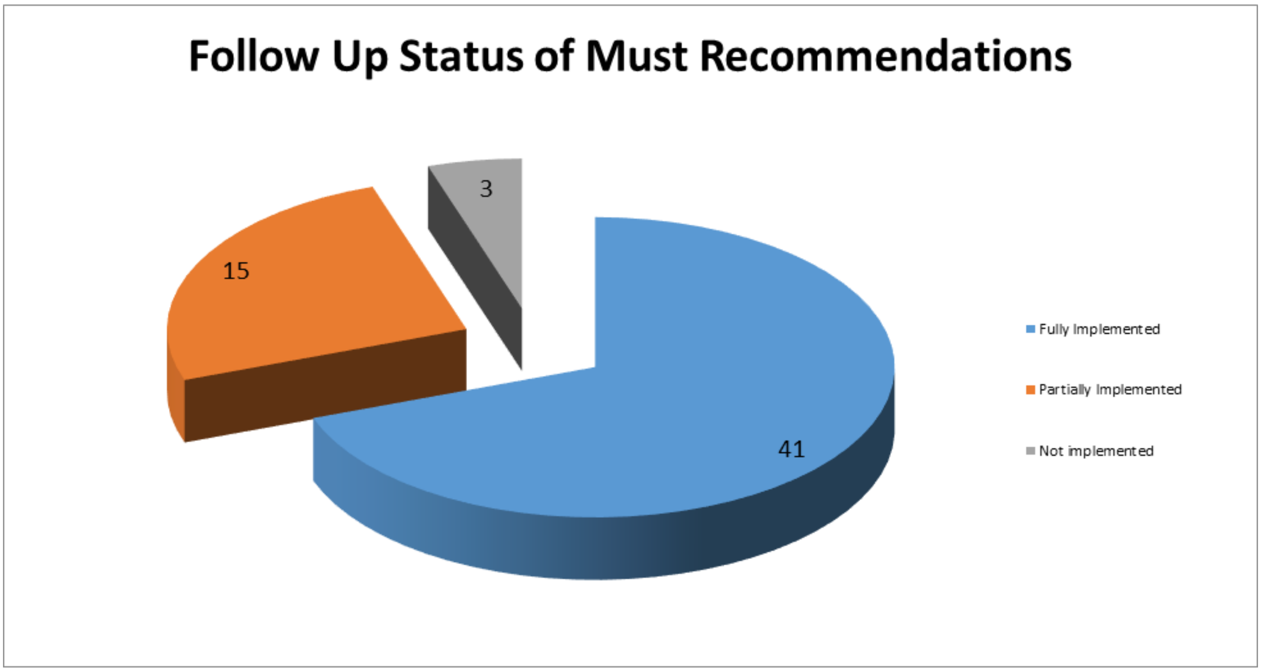
2.4.6 Where we issue a *limited* or *no* assurance report we undertake "standard" follow-ups after 3 months. For all other assurance reports, we undertake a "standard" follow up after 6 months. In 2022/23, we followed up 227 recommendations. These comprised of 59 "Must", 149 "Should" and 19 "Consider" recommendations. The responses to the follow up reports are summarised in the chart below.

Follow Up Status of All Recommendations 2022/2023



2.4.7 Further analysis of the highest priority, "must" recommendations, identified that there were three had not been implemented in accordance with the agreed timescales. The results from the follow up of agreed recommendations are included in the regular Audit & Assurance Progress Reports presented to each Audit & Governance Committee meeting during the year for consideration. This includes explanations where of any responses to follow ups undertaken have not received at the time of the report and any recommendations that have not been implemented. We received appropriate explanations from management for those recommendations not being implemented within agreed timescales.

Follow Up Status of 'Must' Recommendations 2022/2023



2.4.8 Where we have particular concerns about the implementation of recommendations we undertake further "physical" follow up exercises where documentation will be reviewed and further testing undertaken to confirm actions taken are adequate. There were no instances where this was considered necessary for the follow-up reviews carried out during the year.

Other Sources of Assurance:

2.4.9 In addition to the internal audit work carried during the year, we have gained assurance on a number of the Council's processes from other internal and external sources. The sources of assurance include:

- The Council's Management Accountabilities Framework (MAF) reporting arrangements and challenge process.
- The annual Strategic and Assistant Directors' assurance certificates.
- The external auditor's Annual Report for the year ended 31 March 2021 considered by the Audit & Governance Committee at its meeting in June 2022.
- In January 2023, the Council had its compliance to connect to the Public Services Network (PSN) reviewed. It was demonstrated that the IT infrastructure is sufficiently secure to connect to the PSN for the next 12 months.
- The results of the Council's submission for the NHS Data Security & Protection Toolkit (DSPT) in February 2023. This was assessed as 'standards met' to enable the Council to continue to exchange data with the NHS.
- The reports from the inspections of the Council's services by Ofsted. We also consider relevant school Ofsted inspection reports when carrying out our school visits.

2.4.10 The "red" priority thematic areas of concern from the MAF are reported to the Audit & Governance Committee on a six monthly basis. The reporting of the half year "red" areas did not identify any further challenges from the Audit &

Governance Committee. The results of the year-end exercise will be reported to the June Committee meeting. However no significant issues have been noted that would impact on the overall opinion.

2.4.11 The Strategic and Assistant Directors and the Chief Executive are required to complete a statement of assurance each year regarding the governance arrangements, including risk management and internal control arrangements for their areas of responsibility as part of the process to produce the Council's Annual Governance Statement. Completed statements of assurance were received from all these officers. The directors all confirmed that they were satisfied that "a sound system of governance was in place throughout the year ended 31 March 2023 and is ongoing".

2.4.12 The audit approach used by the Council's external auditors includes an evaluation of the Council's internal control environment. The auditors provided their Audit progress Report to the March 2023 Audit & Governance meeting. They noted that their work on the 2021/22 financial statements was progressing well and there were no significant matters arising from their work to bring to the Committee's attention at that stage. They also concluded that the other the information published with the financial statements was consistent with their knowledge of the Council and with the financial statements they had audited.

2.4.13 The external auditors review of the Council's value for money arrangements did not identify any significant weaknesses in arrangements to secure financial sustainability at the Council. Their work on both business as usual and adapted structures for the 2020/21 financial year did not identify any significant weaknesses in the arrangements in place.

2.4.14 An Internal IT Health Check was carried out in September 2022. The primary purpose was to provide an overview of the Council's security posture, to check for security misconfiguration and other weaknesses that could lead to system compromise and access to sensitive or valuable information. It covered six areas. The report included the following conclusions and included recommendations for the remediation of the findings:

- The overall security posture of the Council's internal network was acceptable, though there were several areas with possible room for improvement.
- The posture of the servers provided by the Council for review were good. The anti-virus solution in place on the Windows servers was up-to-date and there was a patching policy to match.
- The security configuration of workstations was generally good. Patching was up-to-date and strong web filtering was encountered. Overall, the security was adequate and no recent privilege escalation techniques were found to be exploitable on the machines
- No administrative accounts were compromised through password cracking which highlights the good password practice implemented on administrative accounts.
- A review of two wireless networks was performed. Overall, the Wi-Fi security was of a good standard..
- Mobile devices were found to need a minimum of 8 numeric passcodes, which is a best practice. However, it is also recommended to change from Numeric passcodes to Alphanumeric passphrases. Rooted devices were not allowed and encryption at rest was required, however no minimum version of

operating system was set and as such older, unsupported and potentially vulnerable mobile phone operating systems may present a risk to the security of the council should they be compromised.

- The report included recommendations for remediation of the issues identified from the review.

2.4.15 An external IT Health check of the Council's ICT perimeter network was carried out in September 2022. This included an external network penetration test. The primary purpose was to check for security misconfiguration and other weaknesses that could lead to system compromise and access to sensitive or valuable information. The overall security posture of the Council's external network perimeter was of an excellent standard. No critical and high risk severity vulnerabilities were identified within the assessment window. A review of email validation records was performed to assess them against best practices and ensure the applied configuration behaved in the intended manner. Overall, the records were all found to be in place and the configuration of them was excellent. A review of Council's Internal and Perimeter Firewall configurations was conducted to ensure that it met current industry good practices. While the firewalls were noted as being effective in protecting the internal and external network there were a few areas of concern that could be addressed in order to improve the security posture and management of the firewalls even further.

2.4.16 The Public Services Network (PSN) compliance of Council's ICT network was re-confirmed during the year for the period 15 January 2022 to 15 January 2023.

2.4.17 The Council's evidence submission for the 2022/23 NHS Data DSPT was submitted in February 2023. The submission was accepted as 'standards met' and certification was awarded. This provides assurance on the arrangements in place for the management and security of data and will enable the Council to continue to exchange data with NHS bodies.

2.4.18 Zurich Cyber Risk consultants completed a Cybersecurity Health Check during the year. The overall cyber risk grading score indicated that the Council's present setup and cyber controls were fair but close to the poor zone. The score was neither better nor poorer than other councils in UK which Zurich have assessed, being in the 50th percentile.

2.4.19 Ofsted inspected two children's homes during 2022/23. One was judged as 'Outstanding' overall and the other was assessed as 'inadequate, and was subsequently closed. Two Children's centres were also inspection. The overall judgement for one was 'outstanding and the other as judged as being 'Good'

2.4.20 The percentage of schools in Blackburn with Darwen that are providing a good or better education by Ofsted is 87.5% which is broadly in line with national and regional averages (Ofsted reported a rise of 2% in at the end of February 2023 to 88%). This progress is something that the School Effectiveness Team and Local Authority want to sustain. In Blackburn with Darwen there are 11 schools graded outstanding whilst 59 are graded good. This year, 19 out of our 72 schools have received either a graded or ungraded inspection. Of the 9 schools who are Requiring Improvement 2 (22%) are academies or free schools, this in turn lowers the percentage overall across the borough.

. 2.4.21 Ofsted inspectors judge schools on categories including the quality of education, behaviour and attitudes, personal development and the effectiveness of the leadership and management on pupils' achievements. Schools identified by Ofsted as requiring improvement are re-inspected again within 30 months, while those deemed good or outstanding are usually reviewed again once every four years.

2.4.22 The emphasis of school improvement in Blackburn with Darwen continues to be through a school-led system supported by partners and built around schools working collaboratively together. The model strategy was developed in 2015 and has evolved and matured. Last year, the decision was taken to undergo a full review in light of the proposals set out in the Government's 2022 White Paper. To do this, an independent nationally recognised educational consultant was commissioned. The full review, has been shared with stakeholders and partners, and highlighted that schools in our area remain strong due to the genuine commitment to work together on joint priorities that are identified collectively. The review also reinforced that schools continue to remain strong through the sharing of expertise and targeted support. Our local authority school effectiveness team provide robust challenge and support to schools in the Ofsted window and/or who are identified as vulnerable due to attainment or progress data, through the 'Schools which require additional support' intervention strategy which involves full multi-agency engagement.

2.4.23 Our planned audit work, other/unplanned work, follow-ups and other sources of assurance has not identified any serious concerns in relation to the Council's systems of risk management, control and governance.

2.5 Impairments/Restrictions in Scope

2.5.1 No limitations have been placed by management on the scope of work carried out by Internal Audit during 2022/23. Audit recommendations have been made based on the findings from each review. These have been discussed and agreed with the managers responsible for each area reviewed. Action plans have been agreed for each audit report issued. Implementation of the recommendations, as per the agreed action plans, is followed up to confirm that the agreed recommendations have been implemented.

2.5.2 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from the internal audit work. These limitations include the possibility of faulty judgement in decision making, of breakdowns due to human error, of controls identified being circumvented by the collusion of two or more people and of management overriding controls. In addition, there is no certainty that internal controls identified will continue to operate effectively in future periods, or that the controls will be adequate to mitigate all significant risk that may arise in the future.

2.5.3 Decisions made in designing internal controls inevitably involve the acceptance of a degree of risk. The outcome of the operation of internal controls cannot predict with absolute assurance, and assessment of internal control is judgemental.

2.6 Organisational Independence

2.6.1 The Internal Audit Service has access to and support from the Council's Corporate Leadership Team. In the course of its normal work it is able to operate independently within the organisation and, in accordance with its Charter, the service remains independent of the Council's other functions.

2.6.2 The Internal Audit Service's work programme and priorities are determined in consultation with the Corporate Leadership Team, the Council's senior managers and the Audit & Governance Committee, but remain decisions for the Head of Audit & Assurance. I have direct access to and freedom to report in my own name and without fear or favour to all officers, and to members of the Audit & Governance Committee.

2.6.3 I have line management responsibility for the Council Insurance team in addition to Audit & Assurance. However, internal audit staff had no direct operational responsibility or authority over any of the activities audited in 2022/23. I can therefore confirm the organisational independence of the Internal Audit activity.

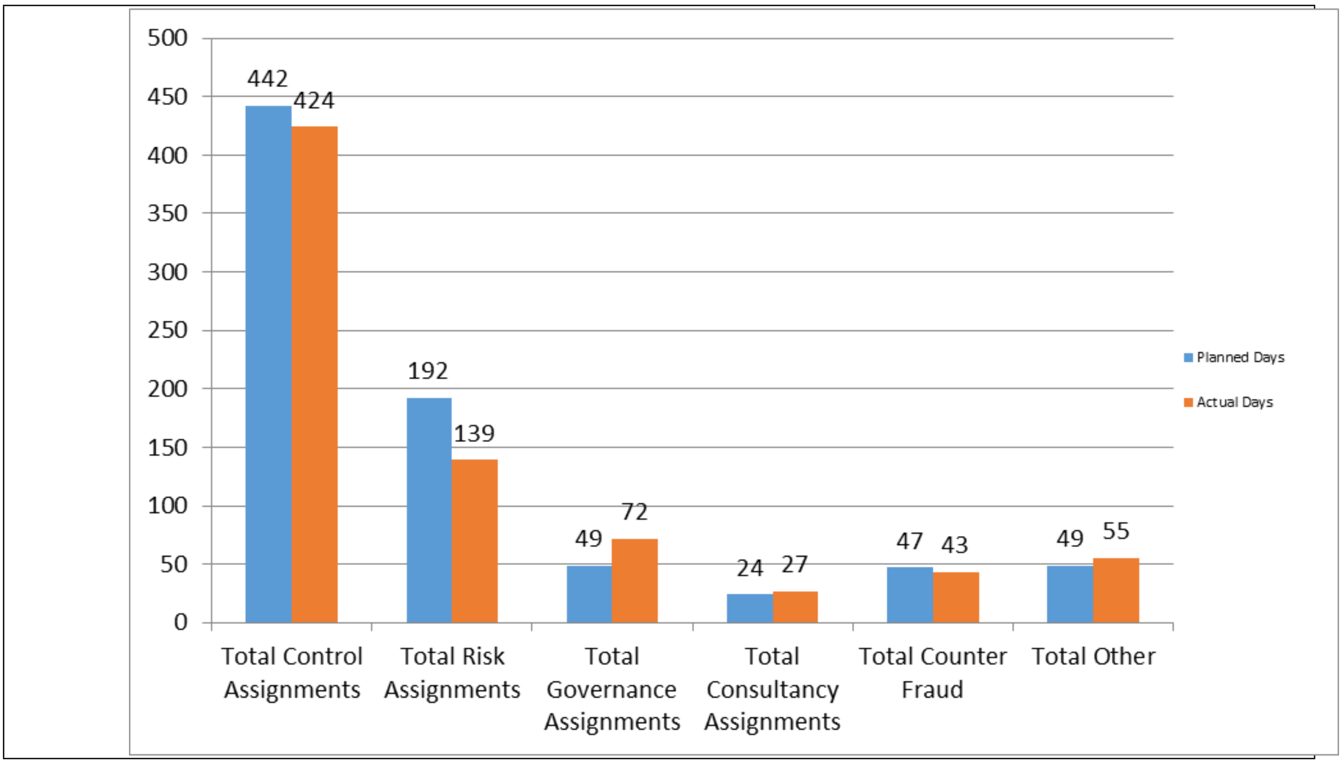
SECTION 3 – INTERNAL AUDIT PERFORMANCE/QUALITY ASSURANCE

3.1 Comparison of Actual and Planned Work

3.1.1 The Audit & Assurance Plan was approved by the Audit Committee on 29 March 2022. The Plan anticipated that Audit & Assurance would have staff resources amounting to 803 days for internal audit assignments and counter fraud work.

3.1.2 Internal Audit was able to deliver a total of 760 days (95%) against the approved Audit & Assurance Plan, which can be summarised as follows:

Audit & Assurance Plan Against Actual 2022/23 (Days Achieved)

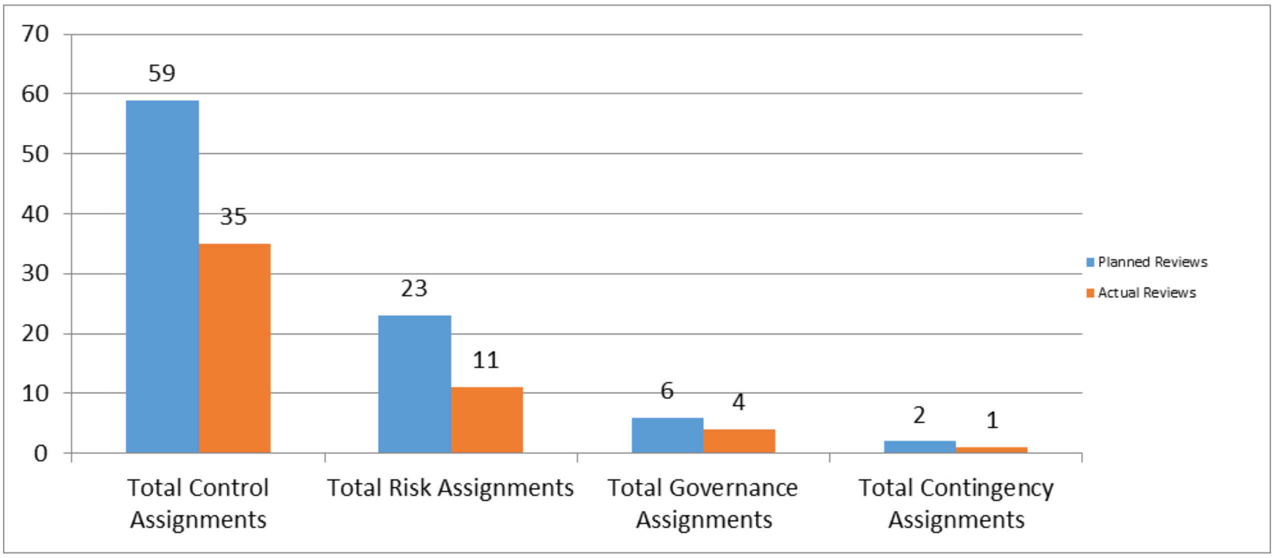


3.1.3 The shortfall in days during the year arose due to additional time members of the team provided to the Insurance team for support for the insurance tender and claims management processes, whilst covering for maternity absence, and for the reciprocal arrangement with Lancashire Chief Internal Auditors to carry out the peer review of the Burnley Borough Council internal audit service. However, despite this, the days achieved against the original and revised Audit & Assurance Plan are considered sufficient to provide an opinion on the effectiveness of risk management, control, and governance processes within the constraints that are being placed upon the Council and Audit & Assurance.

3.2 Key Achievements 2022/23

3.2.1 Despite the reduction in the days available, Internal Audit was able to deliver sufficient audit assignments to provide an overall opinion on the risk, control and governance environment in place within the Council. The following exhibit shows Internal Audit was able to deliver 51 assignments, 20% less than those originally planned (64). It should also be noted that 11 planned reviews were in progress at 31 March 2023.

Internal Audit Plan Against Actual 2022/23 (Assignments Delivered)



3.2.2 We consider that the volume of audit assignments completed in relation to risk management, control and governance, along with the other work carried out on these areas by Audit & Assurance staff is sufficient to allow us to provide an overall opinion on each of those Council processes.

3.2.3 The Audit & Assurance Plan is prioritised according to the level of risk associated with each audit assignment. A Priority 1 (highest level) assignment is “a strategic risk or fundamental review required to provide a statutory opinion for the Annual Governance Statement”. The 2022/23 Audit & Assurance Plan included six Priority 1 audit assignments, excluding grant certification audits. All of these have been delivered in 2022/23, with the exception of the planed reviews of the Inspection Readiness and Local Authority Improvement Plan audits for Children’s services, which were in progress at the year end.

3.3 Key Performance Information

3.3.1 The Finance Business Plan and Audit & Assurance Plan includes a number of measures to assess the performance of Internal Audit in terms of its achievement and quality. The actual performance against these targets for 2022/23 (together with the 2021/22 performance) is shown in the following table.

Internal Audit Performance 2022/23

Performance Measure	**Target**	**Actual 2022/23**	**Actual 2021/22**
Delivery of Priority 1 Audits	100%	87.5%	87.5%
Planned Audits Completed Within Budget.	90%	57%	80%
Final Reports Issued Within Deadline	90%	100%	95%
Follow Ups Undertaken Within Deadline	90%	95%	92%

Performance Measure	Target	Actual 2022/23	Actual 2021/22
Recommendations Implemented	90%	92%	88%
Client Satisfaction	75%	100%	100%
Compliance with PSIAS	95%	100%	99%

3.3.2 The actual performance against these targets was reported to each Audit Committee meeting during 2022/23. Explanations were also provided where our performance did not meet the expected target.

3.4 Quality Assurance

3.4.1 The PSIAS requires that all aspects of internal audit activity are considered by a combination of ongoing internal monitoring, periodic self-assessments or internal assessments by others with sufficient knowledge, and independent external review at least once every five years. The QAIP covers all aspects of internal audit activity and enables conformance with the PSIAS to be evaluated. A key objective of the QAIP is to assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement. This is achieved through both internal and external assessments. A summary of the QAIP is attached at Appendix B.

3.4.2 The Internal Audit Service has designed procedures and an audit methodology that conform to the PSIAS and are regularly reviewed. Every auditor in the team is required to comply with these or document the reasons why not, and to demonstrate this compliance on every audit engagement.

3.4.3 Following this framework, the Internal Audit Service's QAIP consists of internal ongoing monitoring of audit engagement quality, periodic internal assessment of the professional and operational framework, and external review. During 2021/22 the Head of Audit & Assurance has had operational involvement in the ongoing quality monitoring process as a result of the 2017 staffing restructure. This has involved reviewing the work of the Principal Internal Auditors and quality assuring the final reports of all staff. This allows the Head of Audit & Assurance to ensure consistent application of the quality standards and to review the process to identify opportunities for improvement.

3.5 Statement of Conformance with the Public Sector Internal Audit Standards (PSIAS)

3.5.1 From 1 April 2013 Audit & Assurance has been required to comply with the requirements of the PSIAS. Our assessment is that we comply fully or partially with the 138 elements (100%) of the Standards.

3.5.2 This analysis shows that the Council's Internal Audit function is conforming with the PSIAS requirements. Furthermore, during 2021 a peer review was carried out to assess the internal audit team against the PSIAS. Independent colleagues from the Lancashire Chief Auditors Group carried out the review. The results were reported to the Audit & Governance Committee in October 2021. The overall judgement confirms that the Council's internal audit team (within Audit & Assurance) conforms with the requirements of the PSIAS across all areas of focus as follows:

Exhibit 11: PSIAS Summary Peer Review Assessment 2021/22

Area of Focus	Judgement
Purpose & Positioning	Conforms
Structure & Resources	Conforms
Audit Execution	Conforms
Overall Judgement: Conforms	

3.5.3 The next peer review of the internal audit team's compliance with the PSIAS requirements is planned for July 2026.

3.6 Improvement Plans for 2023/24

3.6.1 No significant observations were noted. A number of minor observations were made and six actions were identified for consideration to further improve the service, its status or impact, or the quality of the service provided. The relevant actions have been implemented during 2022/23.

3.6.2 Audit management will continue to work with senior management to ensure that systems in operation to promote effective control, risk management and governance are adequate in the current evolving transformational climate. The team will also continue to maintain and improve its corporate visibility to take every opportunity to market itself to the organisation, particularly at lower levels of management and operational areas of management, emphasising the added value that it offers.

SECTION 4 – ANNUAL GOVERNANCE STATEMENT

4.1 Criteria for Identifying Issues Relevant to the Annual Governance Statement

4.1.1 The CIPFA (Chartered Institute of Public Finance & Accountancy) and APB (Auditing Practices Board) guidance suggests the following criteria should be applied when judging what may constitute a significant control issue for the purposes of disclosure in the Annual Governance Statement:

- the issue has seriously prejudiced or prevented achievement of a principal objective;
- the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant a diversion of resources from another aspect of the business;
- the matter has led to a material impact on the accounts;
- the issue or its impact has attracted significant public interest or has seriously damaged the reputation of the organisation; or,
- the issue has resulted in formal action being taken by the Chief Financial Officer or Monitoring Officer.

4.2 Issues Relevant to the Preparation of the Council's Annual Governance Statement

In my opinion, none of the qualifications arising from the completed audit reviews that inform the annual internal audit opinion constitutes a material weakness in the Council's overall governance framework that requires disclosure in the Annual Governance Statement.

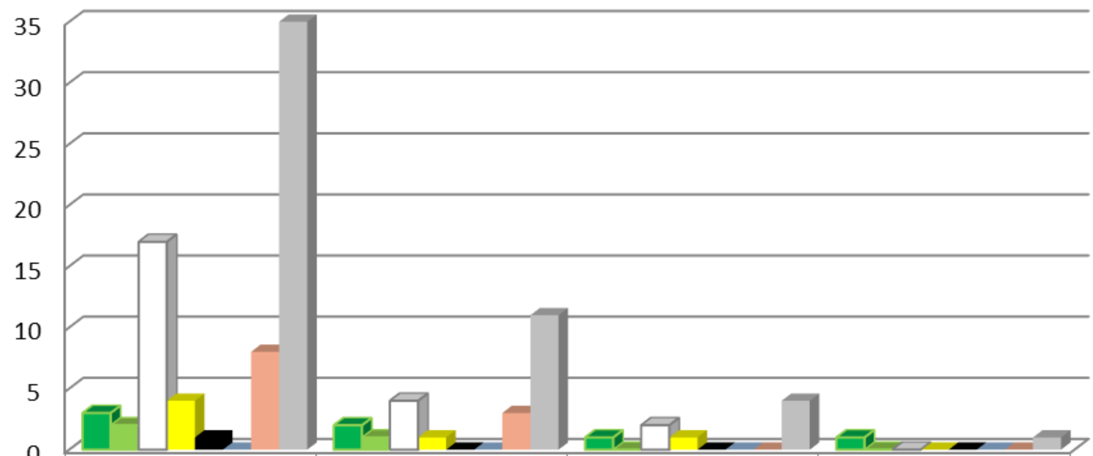
Appendix A

Audit & Assurance Plan & Actual 2022/23

Audit Assignment	CLASSIFICATION	Priority	22/23 Plan Days	Actual Days	Assurance Opinion	
					Control	Compliance
CCTV Provision (Deferred to 2023/24)	Control	2	10	1		
Reablement Service (Deferred to 2023/24)	Control	3	10	1		
Transitional Arrangements : Children to Adult Care (deferred to 2023/24)	Control	2	5	0		
Protocol ICS System	Control	2	10	17	Adequate	Adequate
Commissioning Panel Arrangements - Identification and collection of Health contributions (deferred to 2023/24)	Control	2	10	0		
Children's Centres	Control	3	10	11	Adequate	Adequate
Audits of Schools Finance systems:	Control	3	12	11		
- Lower Darwen Primary School	Control	3	6	17	Limited	Limited
- Longshaw Infants School	Control	3	6	12	Adequate	Adequate
- Audley Infants School	Control	3	6	12	Adequate	Adequate
- St Edwards RC Primary School	Control	3	6	12	Limited	Adequate
- Lammack Primary School (Deferred to 2023/24)	Control	3	6	1		
- St Gabriel's CE Primary School	Control	3	6	11	Adequate	Adequate
- St James' CE Primary School (Lower Darwen) (WIP 2022/23)	Control	3	6	10		
- St Michael and St John CE Primary School	Control	3	6	10	Adequate	Adequate
Contract Monitoring (PH Contracts commissioned via CAPS) (WIP 2022/23)	Control	2	10	9		
Adult Weight Management Services Grant (addirtional to plan)	Control	1	2	2	N/A	N/A
Implementation of MIAA Audit Findings (Deferred to 2023/24)	Control	2	10	2		
Software licencing	Control	2	10	12	Limited	Adequate
Performance Indicators/Data Quality (WIP 2022/23)	Control	3	10	14		
Asset Management System (Deferred to 2023/24)	Control	2	10	2		
Local Transport Capital Funding/LTP Grant Certification Requirement	Control	1	5	6	N/A	N/A
Bus Subsidy Grant	Control	1	5	6	N/A	N/A
Protect & Vaccinate (Additional to plan)	Control	3	0	5	Substantial	Substantial
Fleet Procurement	Control	3	10	12	Adequate	Adequate
Property Services - Services to Schools (WIP 2022/23)	Control	3	10	3		
Property Services - Use of Design Consultants (WIP 2022/23)	Control	3	10	3		
Museums Collections Recording System (Deferred to 2023/24)	Control	3	10	1		
Payroll - Core system	Control	1	15	18	Adequate	Adequate
iTrent Implementation	Control	1	5	26	Adequate	Limited
Service to schools (Deferred to 2023/24)	Control	2	10	2		
RIPA processes (WIP 2022/23)	Control	2	10	18		
Members Allowances and Induction	Control	3	10	12	Adequate	Adequate
Legal Case Management	Control	3	10	11	Adequate	Adequate
Budgetary Setting and Control	Control	1	10	10	Substantial	Adequate
Main Accounting System - including account reconciliation's Control and suspense account reconciliation processes	Control	1	6	14	N/A	N/A
Reconciliations - Quarter 2	Control	1	1.5	1	N/A	N/A
Reconciliations - Quarter 3 (WIP 2022/23)	Control	1	1.5	2		
Reconciliations - Quarter 4	Control	1	1.5	0		
Council Tax (WIP 2022/23)	Control	2	15	9		
Council Tax Rebate - Support with energy costs	Control	2	10	8	Adequate	Adequate
NNDR	Control	2	15	16	Substantial	Substantial
Housing Benefits	Control	2	15	19	Substantial	Substantial
Capital Programme/Budget - Monitoring and Reporting (Deferred to 2023/24)	Control	2	10	0		
Treasury/Cash flow management/Major loss incurred regarding investment and/or borrowing. (Deferred to 2023/24)	Control	3	10	0		
Civica Asset management module	Control	3	10	0		
Disposal of land	Control	3	5	6	Adequate	N/A
Use/management, monitoring and reporting of Covid 19 Grant Funding received	Control	1	15	7	N/A	N/A
Follow up of Actions re East Z East Lease (WIP 2021/22)	Control	1	2	5	N/A	N/A
Asset Management System (WIP 2021/22)	Control	2	2	6	Adequate	Limited
Retail Hospitality & Leisure & SBR Grant (WIP 2021/22)	Control	1	2	4	Adequate	Adequate
Off Payroll Engagement (IR35) (WIP 2021/22)	Control	2	2	2	Adequate	Adequate
Legal Counsel - Appointing and paying (WIP 2021/22)	Control	2	0.5	1	Adequate	Adequate
HR Contract Procurement and Management (WIP 2021/22)	Control	3	2	4	Adequate	Adequate
Planning Enforcement - GP51 (WIP 2021/22)	Control	3	2	10	Adequate	Adequate
Governance Arrangements - HR45 (WIP 2021/22)	Control	2	1	4	Substantial	Adequate
COVID 19 Grant Funding - Protect and Vaccinate (WIP 2021/22)	Control	2	1	4	N/A	N/A
Safeguarding the most vulnerable	Control	2	10	0		
Adults Contracts and Commissioning incl Private Care Home Contract Payments (2022/23 WIP)	Control	2	15	2		
Total 2022/23 Control Assignments (57)			**442**	**424**	**35 (59)**	
Audit Assignment	**CLASSIFICATION**	**Priority**	**22/23 Days**	**Actual Days**	**Assurance Opinion**	
					Control	**Compliance**
Transitional Arrangements : Children to Adult Care (Deferred to 2023/24)	Risk	2	5	0		
Client case management systems including Access Controls	Risk	2	10	12	Substantial	Substantial
Local Authority Improvement Plan (WIP 2022/23)	Risk	1	10	9		
Inspection Readiness (WIP 2022/23)	Risk	1	10	7		
Universal Drug Grant Certification (additional to plan)	Risk	1	2	2	N/A	N/A
Covid Test & Trace Certification (additional to plan)	Risk	1	0	5	N/A	N/A
Failure to prevent data loss (Information Governance)/ Compliance with GDPR (Deferred to 2023/24)	Risk	2	10	0		
Business Continuity/Disaster Recovery	Risk	2	10	11	Adequate	Limited
Digital Customer Portal. (Deferred to 2023/24)	Risk	2	10	1		
Environment Strategy/ Climate Change Strategy//Carbon Management (Deferred to 2023/24)	Risk	2	10	1		

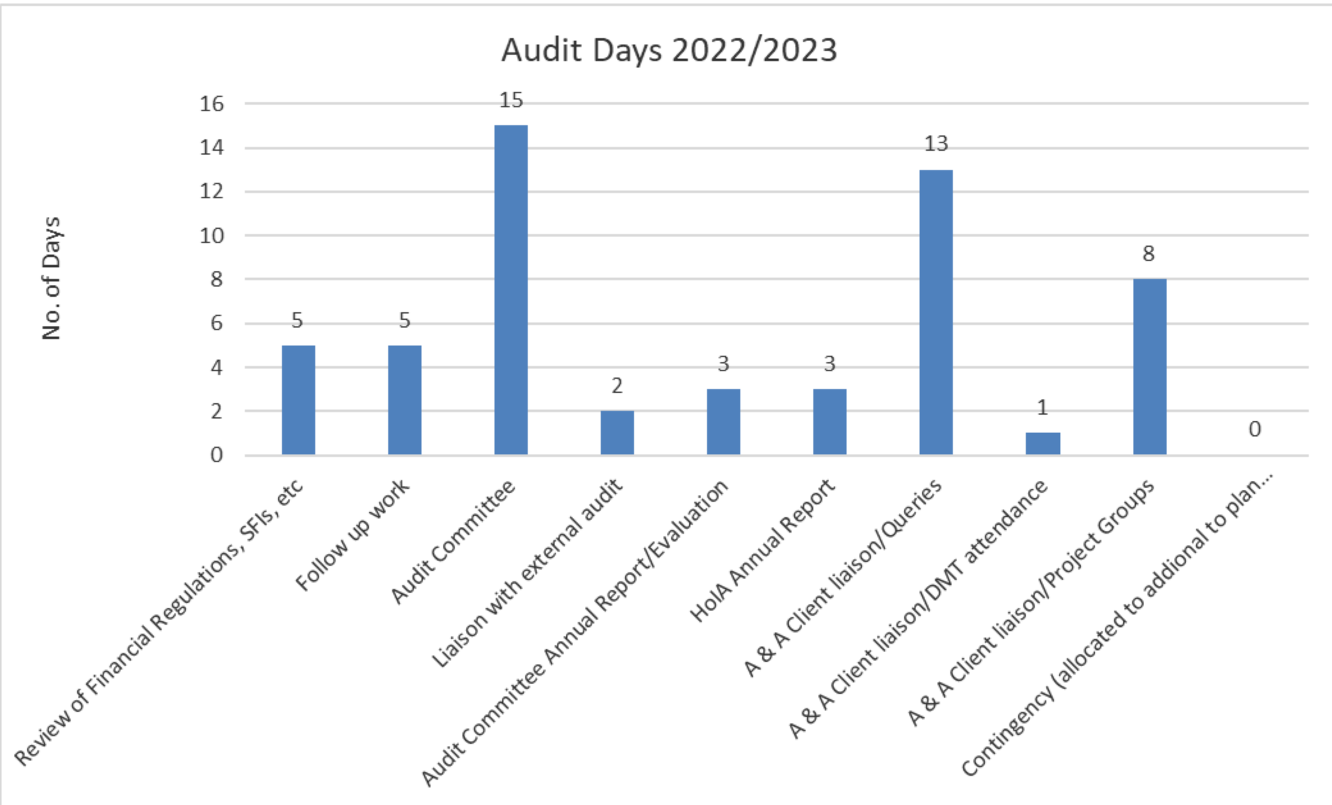
Audit Assignment	**CLASSIFICATION**	**Priority**	**22/23 Plan Days**	**Actual Days**	**Assurance Opinion**	
Failure to adequately inspect and maintain highways. Deterioration of the highways network in particular road surfaces. Failure to repair highways defects and street lighting faults on time	Risk	2	10	10	Adequate	Adequate
Poor standard of privately run Homes of Muliple Occupancy (WIP 2022/23)	Risk	2	15	17		
Fleet Management	Risk	3	10	13	Adequate	Adequate
Fuel Discrepancy and Finance Recharges (additional to plan)	Risk	1	3	5	N/A	N/A
Health & Safety - Failure to comply with H&S legislation & Council standards (Deferred to 2023/24)	Risk	2	10	1		
Information Sharing Protocols (Deferred to 2023/24)	Risk	2	10	1		
New CIPFA Financial Mgmt Code and VFM Assessments	Risk	2	10	10	Substantial	Adequate
Budget Setting (WIP 2021/22)	Risk	1	8	11	Substantial	Substantial
Highways Inspection - Walls and Structures (WIP 2021/22)	Risk	2	7	10	Adequate	Adequate
Section 17 Payments - CE04 (WIP 2021/22)	Risk	3	2	13	Adequate	Adequate
Demand for specialist placements	Risk	2	10	0		
Safeguarding/Safeguarding Board (Deferred to 2023/24)	Risk	2	10	0		
Failure to meet the requirements of the Children & Families Act in relation to SEND	Risk	2	10	0		
Total 2022/23 Risk Assignments (22)			**192**	**139**	**11 (23)**	
Audit Assignment	**CLASSIFICATION**	**Priority**	**22/23 Days**	**Actual Days**	**Assurance Opinion**	
					Control	**Compliance**
Children's Disabled Facilities Grant (DFG)	Governance	3	10	12	Adequate	Adequate
Fostering	Governance	2	10	26	Adequate	Adequate
Internal Public Health Spend/Social Determinants of Health Fund - Governance (Deferred to 2023/24)	Governance	2	10	0		
Town Fund (Darwen £25m plus BwD and others) and Other Grant Funding Projects (Deferred to 2023/24)	Governance	2	10	2		
Sports England Grant - Penine Lancashire (WIP 2021/22)	Governance	1	3	20	Substantial	Substantial
Corporate Governance, Ethical Framework (WIP 2021/22)	Governance	2	5.5	12	Adequate	Limited
Total 2022/23 Governance Assignments (6)			**48.5**	**72**	**4 (6)**	
Audit Assignment	**CLASSIFICATION**	**Priority**	**22/23 Days**	**Actual Days**	**Assurance Opinion**	
					Control	**Compliance**
Failure to mobilise 0-19 Healthy Child Programme Services	Consultancy	A	4	2		
Value for money audit	Consultancy	A*	20	25	Substantial	Substantial
Total 2022/23 Consultancy Assignments (2)			**24**	**27**	**1 (2)**	
Grand Total			**706.5**	**662**		
Audit Assignment	**CLASSIFICATION**	**Priority**	**22/23 Days**	**Actual Days**	**Assurance Opinion**	
					Control	**Compliance**
Other Audit Work						
Review of Financial Regulations, SFIs, etc	Governance	2	3	5		
Follow up work	Governance	1	10	5		
Audit Committee	Governance	1	10	15		
Liaison with external audit	Other	1	2	2		
Audit Committee Annual Report/Evaluation	Governance	1	4	3		
HoIA Annual Report	Governance	1	4	3		
A & A Client liaison/Queries	Other	2	10	13		
A & A Client liaison/DMT attendance	Other	2	2	1		
A & A Client liaison/Project Groups	Other	2	4	8		
Contingency (allocated to addional to plan reveiws)		2	0	0		
Total Other (11)			**49**	**55**	**0 (11)**	
	CLASSIFICATION	**Priority**	**22/23 Days**	**Actual Days**	**Assurance Opinion**	
					Control	**Compliance**
Other Fraud Work						
National Fraud Initiative (NFI)	Control	1	10	18		
Review of Counter Fraud Strategy	Control	1	3	3		
Counter Fraud Annual Plan/Report	Control	1	3	2		
Proactive Fraud Testing	Governance	2	10	0		
Reactive investigations	Governance	2	15	20		
Review/Monitor Fraud Risk Register	Control	2	4	0		
Fraud awareness and whistle blowing initiatives	Control	2	2	0		
Total Internal Audit & Counter Fraud (7)			**47**	**43**	**0 (7)**	
	CLASSIFICATION	**Priority**	**22/23 Days**	**Actual Days**	**Assurance Opinion**	
					Control	**Compliance**
Other Risk and Governance Work						
Annual Gov Statement	Governance	1	10	13		
MAF and MAF Challenges	Governance	1	10	20		
Risk Management Support	Risk	1	5	6		
Road Risk Mgmt Group	Risk	1	4	1		
Review/Monitor Corporate Risks	Risk	1	5	2		
Review Monitor Departmental Risks	Risk	1	8	10		
Business Continuity Champions Meetings	Risk	1	2	2		
Risk Annual Plan/Report	Governance	2	4	3		
Total Risk and Governance Work (8)			**48**	**57**	**0 (8)**	
Total Time Spent			**850.5**	**817**		

Summary of Internal Audit Opinions 2022/23



	Control	Risk	Governance	Consultancy
Substantial	3	2	1	1
Part Substantial	2	1	0	0
Adequate	17	4	2	0
Part Adequate	4	1	1	0
Limited	1	0	0	0
No	0	0	0	0
NA	8	3	0	0
Total	35	11	4	1

Summary of Other/Unplanned Work 2022/23



Appendix B

Summary Quality Assurance & Improvement Programme Activities

Activity	Frequency	Responsibility	Reporting
Internal Assessments – Ongoing Monitoring			
Review of internal audit charter, audit policies and procedures	Annual	Head of Audit & Assurance	Annual Plan to Audit & Governance Committee
Agree performance metrics for internal audit	Annual	Head of Audit & Assurance/Director of Finance	Annual Plan to Audit & Governance Committee
Allocation of audit assignments to appropriate internal auditors	Each Assignment	Head of Audit & Assurance/Principal Internal Auditors	Annual Report to Audit & Governance Committee
Review of audit assignments	Each Assignment	Head of Audit & Assurance / Principal Internal Auditors	Quarterly Progress and Annual Reports to Audit & Governance Committee
Moderation and approval of internal audit reports	Each assignment	Head of Audit & Assurance/ Principal Internal Auditors	Annual Report to Audit & Governance Committee
Customer survey/questionnaire	Each Assignment	Head of Audit & Assurance/ Principal Internal Auditors	Quarterly Progress Report to Audit & Governance Committee
Analyse performance metrics of internal audit activity	Quarterly	Head of Audit & Assurance	Quarterly Progress Report to Audit & Governance Committee
Discuss performance of internal audit activity	Monthly	Head of Audit & Assurance	Team Meeting Minutes
Discuss performance with individual internal auditors	Monthly	Head of Audit & Assurance/ Principal Internal Auditors	HoIA 121s and Finance & Resources DMT
Internal Assessments – Periodic Self-Assessments			
Self-Assessment against PSIAS	Annual	Head of Audit & Assurance	Annual Report to Audit & Governance Committee
Review of QAIP	Annual	Head of Audit & Assurance	Annual Report to Audit & Governance Committee
Progress against the audit & assurance plan/completion of priority 1 audits	Annual	Head of Audit & Assurance	Review of Audit Plan to Audit & Governance Committee
Appraisal of Head of Audit & Assurance	Annual	Director of Finance	Finance & Resources DMT
Appraisal of auditors including objective/target setting against agreed skills & competencies.	Annual	Head of Audit & Assurance/ Principal Internal Auditors	Finance & Resources DMT
Client Satisfaction Survey	Annual	Head of Audit & Assurance	Annual Report to Audit & Governance Committee
Benchmarking review of internal audit services	Every 3 Years	Head of Audit & Assurance	Annual Report to Audit & Governance Committee
External Assessments			
Assessment against PSIASs	Every 5 Years	Head of Audit & Assurance	PSIA Report to Audit & Governance Committee

Blackburn with Darwen Borough Council

Annual Governance Statement
For the year ended 31 March 2023 and up to the date of the July 2023 Audit & Governance Committee

ANNUAL GOVERNANCE STATEMENT

Foreword by the Chief Executive – Chair of the Statutory Governance Officers Group

Blackburn with Darwen Borough Council recognises that there always will be risks that it must manage effectively. Whilst it recognises that due diligence will not always ensure that it gets things right first time, it continues to put in place assurance frameworks and enhance existing arrangements that are intended to ensure that its system of governance is fit for purpose and has flexibility to meet the challenges that the change agenda brings. During the year, the Council has had to put in place processes to allow it to respond to the cost of living crisis and the impact that this has had on both the Council's budget, with rising costs and reduced income, and on service users and the demand for Council services.

The Resources Directorate has continued to promote the Council's strategic approach to governance and assurance. The key developments and on-going arrangements in governance 2022/23 included the following:

- Continuing review and refresh of the Council's Constitution.
- Completion and review of Strategic and Assistant Director annual assurance statements, which reflect the seven principles of good governance in support of the Annual Governance Statement.
- Regular deep dive review and challenge of corporate risks by the Audit & Governance Committee.
- Corporate Assurance Board (CAB) and Statutory Governance Officers Group (SGOG) meetings continue on a regular basis.
- The Council's 2022/23 NHS Data Security and Protection Toolkit (DSPT) compliance audit has been submitted and accepted by the self-assessment tool as 'standards met' and certification has been awarded. This enables the Council to continue to exchange data with the NHS.
- The Council has demonstrated that its IT infrastructure is sufficiently secure to connect to the Public Services Network during the period.
- Continuing embedding of information security awareness through the annual refresh of the e-learning toolkit, and monitoring staff completion of mandatory training.
- On-going participation in the National Fraud Initiative.
- Publication of a Risk Management Policy Statement and implementation of a refreshed Risk Management Strategy and Framework and supporting toolkit.
- Risk management refresher awareness sessions for Members, Directors and senior managers.
- On-going use of the risk register template to record and monitor strategic and departmental risks, including a quarterly review of strategic risks by CAB.
- Revision of the Medium Term Financial Plan and Capital Programme.
- Annual Audit & Governance Committee self-assessment arrangements to evaluate its effectiveness against best practice guidance.
- The on-going formalised, structured member training and development programme including mandatory and optional courses.
- The Audit & Governance Committee routinely inviting senior officers to attend meetings and holding them to account for actions to address significant issues identified by Audit & Assurance in respect of key systems.
- The review of significant partnerships and external bodies the Council is represented on to confirm the Council representation is appropriate and the governance arrangements in place are adequate.
- The Children's Advice and Duty Service has continued to free up resources leading to a reduction in the volume of work in the service, resulting in a reduction in social workers caseloads and led to substantial savings across the service. It has also embedded strong partnership working.

SCOPE OF RESPONSIBILITY

As a local authority, the Council is required by law to review its governance arrangements at least once a year. Preparation and publication of an Annual Governance Statement in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016) (the Framework) fulfils this requirement.

Blackburn with Darwen Borough Council (the Council) is responsible for ensuring that:

- its business is conducted in accordance with relevant laws and regulations, and proper standards; and
- that public money is safeguarded and properly accounted for and

It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk, and to ensure that the responsibilities set out above are being met.

The Audit & Governance Committee fulfils the core functions of an audit committee, as identified in the Chartered Institute of Public Finance and Accountancy (CIPFA) *Audit Committees - Practical Guidance for Local Authorities and Police 2018.* It monitors and responds to the work of internal and external audit and has overall responsibility for reviewing the framework of corporate governance.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the seven principles of the Framework. A copy of the Code is on our website at www.blackburn.gov.uk; it is contained within the Constitution. This statement explains how the Council has complied with the seven principles set out in the Framework during 2022/23 and the Code and how it meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015, which requires all relevant bodies to conduct a review of the effectiveness of its system of internal control at least once a year and prepare an Annual Governance Statement, reporting on the review.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and it can therefore only provide reasonable, and not absolute, assurance of effectiveness. It is based on a continuous process that is designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of both those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Blackburn with Darwen Borough Council for the year ended 31 March 2023 and up to the date of approval of the annual statement of accounts.

THE GOVERNANCE FRAMEWORK

The Council has had robust systems of internal control, corporate governance and risk management arrangements in place for many years, which have led to good financial management, the delivery of efficiencies and planned investment in priorities. The Council is already implementing improvements to these business systems and processes.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness.

Some of the key features of the governance framework are set out in the following paragraphs.

Principle A – Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

1. **Develop, communicate and embed the codes of conduct and define the standards of behaviour for members and staff.**

   The Council Constitution contains codes of conduct for Members and officers. New Members accept their code of conduct as part of their Acceptance of Office declaration. They are also provided training on the Code of Conduct as part of their induction. All Members need to complete and submit a 'General Notice of Registrable Interests' form, which includes information relating to gifts, hospitality and pecuniary interests. These are published on the Council website. New staff appointees sign the staff Code of Conduct as part of their induction. In addition, each Department maintains a register of gifts and hospitality and of personal interests, in accordance with the recently revised Standing Financial Instruction 12 – Register of Personal Interests. The latter are reviewed at least annually. The Employee Code of Conduct was updated in October 2013 and is reflected in the Constitution. The Constitution also contains the Member/Officer Protocol, which sets out the roles and expectations for working together.

2. **Define and document the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements.**

   The Council is legally and constitutionally obliged to maintain and keep up to date its constitution. The Council Constitution was updated in July 2022 to reflect the resolutions/decisions made at Full Council since October 2021. This included changes in organisational structure previously noted and agreed, statutory changes and changes to the delegations.

   The annual update also reviewed Executive Member portfolio responsibilities and the Council's strategic objectives. Amendments are made as necessary during the course of the year to reflect changes in the law and others changes which would require full Council approval. The Constitution is due to be further reviewed and updated this year to reflect the further changes to the organisational structure and the revised Member Allowances Scheme approved at Finance Council in January 2023, and a review of the officer delegated powers as well as changes to the Executive Member portfolio responsibilities. The reviewed Financial Procedure Rules and

Contracts & Procurement Procedure Rules, was approved by full Council and incorporated in the Constitution.

The Council has adopted the Leader and Executive model of governance. The Council's Constitution sets out the relative roles and responsibilities of the Leader and Executive, Officers and Committees of the Council. It defines, through the procedure rules, how day-to-day activities must be undertaken and it allocates statutory responsibilities to designated posts/positions. The decision-making processes are also defined by the Constitution and Executive Member decisions. "Key decisions" may only be taken after both the Finance, and Legal departments have been consulted and considered any implications. The Constitution also sets out the overview and scrutiny arrangements, including the review ('call-in') of executive decisions.

At the start of the pandemic, decision-making meetings were paused until national legislation was enacted and local technology was put in place to permit on-line meetings. Since then all council meetings, including scrutiny and other business had been conducted through remote means to ensure that the Council has continued to be governed in accordance with its constitution and decisions have been properly made. Since 6th May 2021 the legislation allowing remote council meetings expired and the Council reverted to face-to-face meetings. Full council meetings have continued to be webcasted to enable the public to listen and view from home.

During the pandemic no existing delegations or powers were altered, nor have any additional powers/delegations been provided to the Chief Executive or any other officers. There is a delegated power in the constitution for the Chief Executive to incur expenditure or take action in an emergency or disaster, which was used as required at the start of the pandemic. This power was used after consultation and approval from the Leader, formally recorded as an officer decision, and published as usual.

The respective roles of the Section 151 Officer, Monitoring Officer, the statutory Scrutiny Officer and Senior Information Risk Officer (SIRO) ensure legality, financial prudence and transparency in transactions in accordance with legislative requirements.

The CAB has continued to meet during the year. This sits alongside the Corporate Leadership Team (CLT). CAB provides effective assurance and challenge in respect of the Council's overall performance in meeting its strategic objectives and statutory duties. This has increased the Team's focus in the right areas and improved its effectiveness as a senior management team. The Extended Leadership Team continues to meet on a regular basis alternating workshop sessions and bite sized update meetings. This has provided flexibility to discuss items such as borough events, elections, constitutional matters, urgent operational issues and planning for member meetings. Team activities have also been undertaken to develop CLT working together effectively as a group.

The Council continues to be proactive in developing partnerships with its public sector partners including the NHS and Lancashire Constabulary. These partnerships and their governance arrangements are captured through the annual and mid-year Significant Partnerships Register reviews. The reviews are undertaken by the Chief Executive's Support Team and a final report is submitted to Audit & Governance Committee along with a copy of the Register.

The Council has a procedure for recording and publishing decisions made by officers, in line with the Government's transparency agenda and the Access to Information Procedure Rules in the Constitution. Such decisions are subject to the scrutiny arrangements outlined in the Constitution.

Principle B – Ensuring openness and comprehensive stakeholder engagement

3. **Review the Corporate Plan and Vision and translate into objectives for the authority and its partnerships.**

The Council adopted a new corporate plan at Policy Council in December 2022. It was developed following a programme of engagement with residents, staff, councillors and partners. It sets out a clear mission - we want every single resident, no matter who they are, to have a good quality of life.

To achieve this vision, we will make progress on four core missions.

- A more prosperous borough where no one is left behind;
- Every child and young person to have opportunities to fulfil their potential;
- Deliver our climate emergency action plan; and
- Build happier, healthier and safer communities.

Engagement activity included sessions with young people, engagement with foster carers, 200 vox pops in Blackburn and Darwen town centres, as well as activity facilitated by adult learning and Age UK. Staff have been engaged through the organisational development programme. The recent Life Survey undertaken by Lancaster University in Blackburn with Darwen (1,299 residents in total, made up of 543 online respondents and 756 face-to-face) has also been used to help form the evidence base for the new plan as well as engagement delivered as part of individual projects such as Blackburn's City Bid.

The residents' survey ran over a period of four weeks from May to June 2022. Two methodologies were used; the first was a self-completion survey promoted via social media, in council buildings, local media and our advertising assets. The second was a demographically weighted interviewer-led survey. The self-completion survey was open to everyone who lives or works in the borough over the age of 16 and 889 responses were received. The interviewer-led survey had quotas, which were designed to achieve a sample that was representative of the borough in terms of age, gender, ethnicity and area. It was undertaken primarily by phone with additional face-to-face interviews carried out to ensure the sample met its quotas. 1001 interviews were completed.

The first of a series of partnership conferences was held in March 2023. The intention is to continue to build on the format and continue to provide a dedicated space for partners to engage directly with the Council and developed shared plans together.

We are also working with Sport England, as the accountable body for Pennine Lancashire's Local Delivery Pilot 'Together an Active Future'. The £13m of available funding will enable the six Local Authority areas to work together with people and partners to test different approaches to understand better why people are less active in Blackburn with Darwen than nationally and to work with partners in systems and places to make being active easier for everyone.

When developing the Corporate Plan, the Council established what will be done to deliver the ambition and how progress against this delivery will be measured. The success of the Corporate Plan is measured through a performance management framework with Key Performance Indicators (KPIs) which are measurable and meaningful. These will come into force from April 2023.

The Corporate Data and Policy teams work with service departments to ensure that appropriate responsibilities for delivery are built into departmental business plans. At Policy Council in December 2021, members agreed to refresh the corporate plan to take into account the impact of COVID on both the organisation and the borough. While that refresh was taking place, the current corporate plan still stood.

4. Measure the quality of services for users.

During 2022, the Council undertook a resident survey to gain a better understanding of the opinions and views of residents and their priorities. Survey methodology was via a random sample postal survey and an online survey published on the Council website.

Customer/resident satisfaction with the services they receive, for the council tax that they pay, has always been a key priority for the Council. Key measures are included in the current Corporate Plan and customer service is an embedded principal in all council work and specific arrangements exist within statutory services around adults and children social care.

5. Establish clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

As well as a constantly updated online version of The Shuttle, a hard copy magazine called the Shuttle Extra is now published annually and delivered to homes throughout the borough. Both the hard copy and online versions contain latest news, decisions and service updates and information about the Council budget and Council Tax. Manual updates, as part of wider communications campaigns are published on the Council's online Shuttle platform, available as news items via the website and are available via social media channels. The Council's website can be translated into different languages using a Google Translate function available on each page. Media enquiries are dealt with promptly following agreed protocols. Commercial services across the council also operate their own marketing. Stakeholder communication is part of normal service delivery both at a corporate level and within services and projects.

The Council also owns and manages its own outdoor advertising assets, including 66 bus shelters across the borough, two digital screens, 58 roundabout signs, 21 billboards and digital totems in both Blackburn Bus Station and Blackburn Train Station.

The Council is continuing to deliver on its commitment to tackle inequality, oppression and enabling people to maximise their potential through its Integration and Community Engagement. As a result of this work, new and emerging communities such as those resettling from Ukraine are settling into life in the borough and are positively contributing and accessing everything the Borough has to offer. From local adult learning provision, supporting individual faith and spiritual needs through to determining employability options, this local asset based approach is unique to the Borough and draws upon skills gained from previous work being part of the Integrated Area Programme.

The Council continues to work together with residents, businesses and the voluntary sector to overcome local challenges. Through its Lancashire Volunteer Partnership, residents continue to be involved a structured approach to volunteering by gaining, developing and using vital skills and knowledge to make a difference in their borough.

The Council website provides access to Council papers, including Committee agendas, minutes, relevant reports and decisions.

The Council takes the views of all the groups into account when preparing its budgets. In advance of final decisions on the budgets, the potential impact on individuals, services and the voluntary and community sector is considered. As each service is reviewed and final recommendations are made, Equality Impact Assessments are undertaken.

Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits

6. **Enhance the accountability for service delivery and effectiveness of other public service providers.**

The Blackburn Place Based partnership is part of the new Lancashire and South Cumbria Integrated Care Partnership (ICP) structure and sees us working with the NHS, voluntary, community, faith and social enterprise (VCFSE) organisations and the wider community to take collective responsibility for providing better joined up care and support for residents and delivering the ambitions of the ICP. The PBP will develop a plan that will deliver changes and improvements in services to meet the distinctive needs and characteristics of our borough. ICPs were brought in as part of changes in the way health and care services are planned, paid for and delivered across England. The changes saw the creation of Integrated Care Systems across the country. They are made up of two parts – an Integrated Care Board and an ICP. The role of the ICB is to allocate the NHS budget and commission services for the population, taking over the functions previously held by clinical commissioning groups (CCGs) and some of the direct commissioning functions of NHS England. The ICP is a statutory joint committee of the ICB and local authorities in the area. It brings together a broad set of partners to support partnership working and develop an 'integrated care strategy', a plan to address the wider health care, public health and social care needs of the population. The ICB is required to have regard to this plan when making decisions. We are proud to play our part in all levels of the ICS.

The Council is working closely with other Lancashire councils to make the case for more devolution of resources, powers and flexibilities to the region. A strategic framework for Lancashire is being developed called Lancashire 2050, which will help support future devolution bids. The plan helps create a shared vision, shared ambition, shared goals, shared priorities, and gives Lancashire a strong, clear voice.

The Blackburn with Darwen Community Safety Partnership (CSP) has merged with the CSP's of Burnley, Hyndburn and Rossendale following agreement by members and the Police and Crime Commissioner of Lancashire. Blackburn with Darwen administers the Pennine Lancashire Community Safety Board and retains its duty as a Local Authority alongside the Police, Fire Service, Health and National Probation Service who work together to reduce crime and anti-social behaviour.

The Partnership has grown in size and strength and now includes a wide range of partners from both the statutory and voluntary sector from across the Sub Region. Collectively it is achieving positive outcomes for vulnerable individuals, families and communities.

7. **Incorporate good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.**

The Council has historically had sound governance arrangements and these continue to be robust. The annual and mid-year Significant Partnerships Register update continues to take place and a report was taken to Audit and Governance Committee in March 2023. A mid-year review is planned for June 2023.

The Council is the host authority for the Lancashire Police and Crime Panel. The Council provides legal and secretarial advice and support to enable the Panel to carry out the functions and responsibilities set out in the Police Reform and Social Responsibility Act 2011 and the Regulations made under it.

Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes

8. **Review the effectiveness of the decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality.**

The Constitution provides the framework for decision-making. It includes delegations to various committees, Executive Members and officers, and scrutiny arrangements for holding decision makers to account. The decision making process is set out in Article 13 of the Constitution and responsibilities are identified in Part 3. The Monitoring Officer also holds and maintains a record of sub-delegations by each Chief Officer and is responsible for ensuring lawfulness and fairness of decision-making.

External formal monitoring of the Council's data quality arrangements are no longer required by external audit. However, the Council's previous monitoring arrangements have continued to be operated, including formal checks on performance indicator files and monitoring / recording processes. The Data Quality Policy (Performance Data) was revised in April 2019 to reflect the changes in reporting arrangements and staff within the Council. The Council has developed a Data Strategy in late 2022, which included a baselining exercise to assess the level of data maturity across the organisation. The Data Quality Policy will therefore be re-assessed during 2023/24 and revised in line with the planned introduction of corporate data standards. These will be introduced as the Council moves towards more automated collection of data.

The Council has continued to carry out and record equality analysis and impact assessments (EIA) as a key stage in the decision making process using the EIA Toolkit. However, this has now been strengthened with the refresh of elected member training for Equality, Diversity and Inclusion and EIAs in February 2023. The training offer for staff has also been reviewed and refreshed with the introduction of new training modules on the Me Learning platform. A corporate exercise has taken place to identify additional departmental leads to undertake and support the EIA process. An in-person training session has been organised for this group and this will be supplemented with a network for the relevant staff to support each other across the organisation.

The annual Audit and Assurance Plan and supporting Strategic Statement set out the internal audit resources and skills required to deliver an effective internal audit service for the Council each year. The staff resources are considered adequate for the Council's current needs to ensure that it meets the requirements of the Accounts and Audit Regulations. The resources are prioritised to evaluate and improve the effectiveness of the Council's risk management, control, and governance processes for the higher priority areas identified in the annual Internal Audit Plan, which is approved by the Audit & Governance Committee at its meeting in March/April each year. Reviews of these areas are required to inform the Head of Audit & Assurance annual internal audit opinion which contributes to the Annual Governance Statement.

<u>Principle E – Developing the entity's capacity, including the capability of its leadership and individuals within it</u>

9. **Identify the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.**

   The Council has developed a workforce strategy for 2023 to 2026 with the following ambitions:

   - A more diverse and inclusive workforce, where no-one is left behind;
   - An engaging culture where everyone has a voice;
   - Strong and visible leadership where autonomy and innovation are advocated; and
   - Supporting continuous development where everyone is encouraged to reach their potential.

   A leadership & management steering group has been established to ensure the leadership and priorities are met and support the Council's ambitions in relation to its workforce. Elected members development continues to be supported in conjunction with North West Employers organisation.

   There has been significant investment in leadership and management development over the last three years with more than 120 managers completing a formal programme of development.

   The Council currently employs three graduates, under the LGA's National Graduate programme.

<u>Principle F – Managing risks and performance through robust internal control and strong public financial management</u>

10. **Review the effectiveness of the framework for identifying and managing risks and demonstrate clear accountability.**

    Overarching responsibility for risk management lies with the CAB. Chief Officers are identified as owners of the risks identified in the Corporate Risk Register. The corporate risk register is considered by CAB on a quarterly basis. Risk management reports, including a summary of the corporate risk register, are also presented at each Audit & Governance Committee meeting. The Committee also carries out a detailed review and challenge of a selection of corporate risks on a regular basis during the year.

    A corporate Risk Management Policy Statement is in place and published. It is a key element of the Council's corporate planning process and the Corporate Governance Framework. The Policy Statement sets out the Council's intent with the management of risks. It includes a definition of the Council 'appetite' for risk across a range of key risk categories. These are based on a selection of relevant key risk categories recommended in The Orange Book – Management of Risk, Principles and Concepts (2020) published by HM Government.

    The Policy and supporting Risk Management Strategy and Framework provide a consistent corporate approach to ensure that robust and effective risk management procedures are embedded into the Council's culture so that risk management is an integral part of the decision making process and the supporting systems and procedures used by Members, Chief Officers and staff at all levels. These documents combine to set out the Council's approach for the systematic management of risk, the culture and roles and responsibilities of all managers and decision makers to achieve this.

The Risk Management Toolkit and risk register provide a consistent approach to risk management across the Council. Each department has its own risk register and is required to consider risk at each departmental management meeting.

During the year, the Council has had to respond to and manage a significant number of new and emerging risks due to the need to respond to the impact that Covid has continued to have on the Council's services and activities and the local community. The primary focus has been on the new risks relating to the Council's recovery from the pandemic, whilst maintaining as much business as usual activity as possible, safely and effectively.

The Executive Member and Executive Board Decision templates include a section to record and consider key risks as part of the decision making process. The Management Accountability Framework (MAF) Director's Exception/Dashboard Report also contains a risk section.

Directors are required to confirm that there are sound corporate governance, control and risk management arrangements operating within their Departments, in accordance with the Council's procedures and practices that uphold the Code of Corporate Governance, on a six monthly basis. They should identify any areas of concern and action that they are taking to address these, via their MAF Dashboard Report. This report is reviewed, along with progress against the Corporate Plan priorities, and reported to the Chief Executive and the Audit & Governance Committee through the MAF thematic summary included in the Audit & Assurance Progress Reports.

The six monthly assurance statement covers the effectiveness of the internal controls, risk management and governance arrangements within Departments and relevant corporate risks. This includes safeguarding assets, monitoring compliance with Council policies and objectives, budget management, risk management, and health and safety. MAF is an evolving process and refinements and extensions to its coverage will continue.

The Statutory Governance Officers Group (SGOG) draws together the sources of assurance, including those provided through MAF, and, having challenged them, produces the Annual Governance Statement for consideration by the Audit & Governance Committee. The SGOG is chaired by the Chief Executive and has the Monitoring Officer, Senior Information Risk Owner and Section 151 Officer as members.

The Council produces integrated financial monitoring reports covering revenue and capital expenditure, which are reported to Executive Board on a quarterly basis each year. Ongoing financial implications are incorporated into the following year's budget strategy. In addition, the budget setting process starts in September each year and includes leadership meetings with Directors to ascertain any pressures and or savings within their portfolios, Inflation and legislative changes are reviewed by the Corporate Finance team. These processes are underpinned by the Council's Financial Management System, which has facilitated the production of more timely and detailed information to Members and Officers at all levels. The system continues to be developed and produce cost and working efficiencies within both the Finance Department and the Council as a whole.

The Departmental Business Continuity Plans and the Functional Emergency Plans are constantly being reviewed and we are still working on streamlining them. Business Continuity Plans have been reviewed in early 2023 and the team are currently undertaking an audit of each plan. The structure of the organisation has continued to change, resulting in plans being further amended. The Corporate Business Continuity Plan contains all critical/priority functions and essential prioritised services at the White Dove Centre in times of IT outage etc. and this will be updated again in late 2023.

The Corporate Emergency and Business Continuity plans are tested annually in alternate years. The corporate exercise for March 2023 was based on a cyber-attack scenario (Business Continuity Planning). This exercise not only provides training to attendees but it is also an opportunity for plans to be tested and any amendments made where required.

The Civil Contingencies Service delivers an annual corporate training programme internally to employees and volunteers to ensure that they are all trained in the roles they are either expected to perform or volunteer to perform for the Council. The team has continued to respond to a number of concurrent emergencies in the community over the last 12 months.

The team will continue to deliver a programme of training/exercising, emergency preparedness and response to an emergency or disruption. This is now a mandatory service provision to all schools in the borough, including Independent, Free, Academy and Community schools to ensure consistency. To further support, the team developed an SLA, which was launched in 2022, which a number of schools purchased to access the support required for emergency preparedness. This SLA has also been rolled out for 2023.

The Corporate Health and Safety Policy clearly states that health and safety is the responsibility of all employees and managers within the Council, with clear leadership from Chief Officers. The Chief Executive retains overall responsibility for the management of health and safety in the Council. The Policy, which was updated and reissued in May 2022, along with the various guidance documents, outline the arrangements in place to meet the Council's statutory duties. The health and safety guidance documents have also undergone full a review, ahead of migration to the new intranet site.

The Health and Safety Committee meet quarterly for senior managers to discuss key issues and actions taken to address these. Accident, incident and near miss statistics and trends are reported at this forum and improvements to health and safety are discussed and agreed. Incident data is also provided to Chief Officers on a monthly basis. Health and Safety Task Groups and Task and Finish Groups are also commissioned from time to time as appropriate, for example, the Health & Safety Action group for services at Davyfield Road Depot continues to meet and more recently, we have established an internal Violence & Aggression focus group.

Employees receive health and safety training upon induction and in line with role requirements thereafter. A range of classroom courses and e-learning training are available to all members of staff. Chief Officers agreed to some mandatory health and safety e-learning for all employees, to be refreshed on a three yearly basis. Currently these are Health and Safety in the Workplace, Manual Handling and Fire Safety Awareness and Display Screen Equipment (DSE) for designated users.

Corporate Compliance checks have been developed in recent months and will be rolled out shortly. These will be completed by Service Managers and those with responsibility for a building in order to check compliance again health and safety legislation. Following submission and review of these, a rolling health and safety audit programme will be developed for the Council, with higher risk departments and services prioritised.

Service Level Agreements are offered to schools across the Borough for a health and safety service, and we have maintained business throughout 2022-23 and into the New Year, with over 50 schools purchasing this service from the team.

The Council has an online portal for staff to report all accidents, incidents and near misses. All reports are investigated and steps are taken to reduce the chances of a recurrence. Five (5) incidents were reported to the HSE via RIDDOR in the 2022-23 period, which is the same number of incidents reported during 2021/22.

11. Ensure the financial management arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government* (2016).

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. In May 2023 the Annual Council approved the Chief Executive assuming the statutory Section 151 Chief Finance Officer responsibilities when the previous Strategic Director, Finance & Resources left the Council on 21 May 2023, on an interim basis pending the appointment of a new post holder incorporating the statutory function.

12. Ensure the assurance arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2010).

The Council's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit. The Statement identifies that the Head of Internal Audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by:

i. objectively assessing the adequacy and effectiveness of governance and management of risk, giving an evidence based opinion on the of all aspects of governance, risk management and internal control; and
ii. championing best practice in governance and objectively commenting on responses to emerging risks and proposed developments.

To perform this role the Head of Internal Audit must:

i. be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit & Governance Committee;
ii. lead and direct an internal audit service that is resourced to be fit for purpose; and
iii. be professionally qualified and suitably experienced.

13. Financial Management (FM) Code of Practice.

CIPFA launched the FM Code of Practice in November 2019. It was developed on behalf of MHCLG in the context of increasing concerns about the financial resilience and sustainability of local authorities. Full compliance was expected for the 2021/22 financial year.

The Code clarifies how Chief Finance Officers should satisfy their statutory responsibility for good financial administration as required in section 151 of the Local Government Act 1972 and emphasises the collective financial responsibility of the whole leadership including the relevant elected members.

The Code is set by CIPFA on behalf of MHCLG. Compliance with the Code is obligatory but is not currently referenced in legislation meaning that it is not statutory guidance. However, it draws heavily on existing statutory guidance:

- Role of the Chief Financial Officer in Local Government;
- Prudential Code for Capital Finance; and
- Code of Practice on Local Authority Accounting in the United Kingdom

The FM Code has six key themes aimed at strengthening the financial resilience and sustainability of local authorities:

(i) Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
(ii) **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
(iii) Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
(iv) Adherence to professional **standards** is promoted by the leadership team and is evidenced.
(v) Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
(vi) The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

Performance against the six key themes is measured by 19 standards, which are arranged over seven sections:

(i) The responsibilities of the chief finance officer and leadership team
(ii) Governance and financial management style
(iii) Long to medium-term financial management
(iv) The annual budget
(v) Stakeholder engagement and business plans
(vi) Monitoring financial performance
(vii) External financial reporting

An assessment has been made of the Council's compliance with the 19 Standards in the Code. The assessment has identified that the Council is well placed to evidence compliance with the Code. This was supported by a review of the evidence by Internal Audit.

14. Ensure effective counter-fraud and anti-corruption arrangements are developed and maintained.

The Audit & Assurance Team takes part in the National Fraud Initiative on behalf of the Council and monitors the completion of the fraud awareness e-learning package by staff. It also monitors whistle-blowing calls and emails received by the Council and carries out investigations into reports of potential or suspected fraud and non-compliance with financial policies and procedures or financial irregularities.

The Council's current Counter Fraud Policy Statement and Counter Fraud Strategy 2022/25 were approved in June 2022. These take account of the latest guidance set out in the Fighting Fraud and Corruption Locally Strategy (2020) and provide an effective structure and approach to ensure that the counter fraud arrangements in place are embedded into the everyday processes of financial management activity and decision making within the Council. They demonstrate to the local community and other stakeholders the Council's commitment to the prevention, deterrence and detection of fraud and corruption. The documents set out the Council's approach to the management of fraud risks and defines responsibilities for action.

The Policy Statement and Strategy provide a clear statement of the Council's commitment and approach to this area from the Leadership team down. They provide a framework that should ensure a consistent approach is in place to embed robust and effective counter fraud arrangements into the Council's culture so that it is an integral part of the systems and procedures followed by Members, Chief Officers and staff at all levels.

Having considered all the principles, the organisation has adopted a satisfactory response that is appropriate for the fraud and corruption risks identified and commits to maintain its vigilance to tackle fraud.

15. Ensure effective management of change and transformation.

The Council is now approaching the end of year 2 of the 3 year Digital Strategy, which covers four work, streams:

- Digital first for our services;
- Enable transformation for our staff;
- Data driven organisation; and
- Secure and resilient technology.

The Strategy sets out what we will do to make Blackburn with Darwen a truly digital council and borough over the next three years and beyond. The aim is to enable positive impacts to the way people live, connect and work. It is our challenge to effectively engage with, understand, collaborate and better serve our customers and communities in digital environments over the next three years and beyond. The scope of the Digital Strategy is a significant portfolio of work, which carries a number of risks to the Council if not managed correctly. During the majority of the year, the Council operated a suite of governance boards, which helped manage the four work streams; these were chaired by the Strategic Director of Resources and covered; key projects, Data and Technical Assurance.

Since December 2022, the Council has moved away from the separate governance boards and has developed a single work stream of activity, which will be prioritised and governed via a Programme Board. Due to capacity pressures and the need to prioritise resource around the highest risk areas, this approach will ensure that resource is channelled to the highest priority areas.

16. Ensure effective arrangements are in place for the discharge of the monitoring officer function.

As the Head of Paid Service, the Chief Executive is responsible for ensuring that Directors and Members both understand the need for sound internal controls and governance arrangements and to apply these in practice.

17. Ensure effective arrangements are in place for the discharge of the head of paid service function.

The functions of the Monitoring Officer are set out in the Council's Constitution. The role of Monitoring Officer forms part of the specific responsibilities of the Deputy Director, Legal & Governance.

18. Undertake the core functions of an audit committee.

The Audit & Governance Committee provides independent assurance and high-level focus on the audit, assurance and reporting arrangements, which underpin good governance and compliance with financial standards. It provides independent assurance on the adequacy of the risk management framework, and internal control environment and to the extent that these meet the objectives of the Local Code of Corporate Governance. It oversees the internal and external audit arrangements, helping to ensure efficient and effective assurance arrangements are in place. This includes the integrity of financial reporting and annual governance processes.

The Audit & Governance Committee is responsible overall for monitoring compliance with policies and procedures and for setting defined standards, where need be; this includes responding to reports from the Council's external auditor.

The Audit & Governance Committee has monitored its own effectiveness against the criteria outlined in the CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022. The overall results reported to the Committee in June 2022 and March 2023 showed that the Committee arrangements are largely compliant with the CIPFA Statement and that there is a strong belief by its members that the Committee is operating effectively.

19. Ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

Directors are responsible for ensuring that, within their areas of responsibility, they establish and maintain effective systems of risk management, governance and internal control, complying with legislation, grant rules, the Council's own rules, etc. This includes both responding to recommendations by internal and external inspection processes and working with partner organisations.

A key element of assurance available to the Council and the Audit & Governance Committee are the annual assurance statements made by each of the Strategic Directors and the Assistant Director, which support the Annual Governance Statement. These require each Strategic Director and the Assistant Director to take personal responsibility for the operation of adequate and effective governance and internal control systems within their departments, which include compliance with applicable laws and regulations. This assurance includes their line reports areas of responsibility. The directors' assurance statements closely reflect the seven CIPFA/SOLACE principles of good governance and the Council's Local Code of Corporate Governance.

The Council has submitted evidence to the NHS Information Governance Toolkit (Data Security and Protection Toolkit). The submission is subject to NHS audit and this will enable the Council to continue to exchange data with NHS bodies should our compliance evidence be accepted.

During 2022-23 there have been 1054 Freedom of information (FOI) requests submitted with 1053 FOIs due for disclosure during this period. The compliance rate at the end of 2022/23 was 95.73%.

During 2022-23 there have been 447 Subject Access Requests (SARs) submitted with 421 SARs being due for disclosure during this period. The compliance rate at the end of 2022/23 was 93.35%. Whilst we have managed to clear the backlog of historical Children's SARs during 2022/23, there has been a significant increase in the number of requests submitted in comparison to 2021/22 that the team have limited capacity to manage. The newly introduced

Care Leavers support process encourages the data subject to request a copy of their files. This has put pressure on the limited resource to carry out this function and the capacity to manage other important disclosures in a timely manner has been impacted. The Corporate Information Governance (IG) SARs team has now introduced a prioritisation system to ensure that the professional SARs (Local Authority Safeguarding Requests/Disclosure & Barring Service/Adoption/Foster Carer Statutory Checks/Police Requests/Legal Requests) are carried out as a priority. SARS from Care Leavers and other members of the public are taking a lower priority. A temporary solution to the new backlog is in place, with staff from other areas of IG assisting with meeting deadlines. Additional resources are being recruited to increase capacity. However it will take 6-12 months to see the full benefit from this.

During 2022/23 there were two complaints made to the Information Commissioner's Office (ICO). This is a 33% decrease on the number of complaints registered with the ICO in 2020/2021 (three).

During 2022/23, there were 81 recorded information security incidents. This is a 1.25% increase on the number of information security incidents registered with the Information Governance Team in 2021/22 (80). Incidents where the cause has been identified as process failure as opposed to human error will continue to be reviewed to ensure the suggested remediation actions have been completed within the timescale required. All human error breaches have been followed up with line management instructions and retraining where appropriate. All third party data breaches have been assessed in accordance with their significance and reported to the ICO. No action has been taken by the ICO to date as a result of any third party reported incidents.

Audit & Assurance produces an internal audit charter, strategic statement and annual plan that are approved by the Audit & Governance Committee. The annual plan examines the Council's systems of risk management, control, and governance. It reports to individual managers on the outcomes of its audit reviews, agreeing management actions with them. Finalised reports and action plans are issued to relevant Directors. The team also regularly reports to the Audit & Governance Committee on the progress and outcomes of its planned work. At the year-end, a mandatory Head of Internal Audit opinion report is produced, which is part of the process to support the Annual Governance Statement. Routinely during the year Audit and Assurance reports to the Chief Executive and Audit & Governance Committee on governance matters of particular importance through its independent reviews of MAF Exception reports.

20. Whistleblowing and for receiving and investigating complaints from the public.
The Council's Whistle-blowing and Corporate Complaints Policies are available on the Internet. Both define what steps will be taken in investigating allegations of potential or suspected fraud or irregularity reported by staff or complaints received from members of the public.

Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability

21. Identify and communicate the vision and intended outcomes for citizens and service users.

A key part of the corporate culture at Blackburn with Darwen Borough Council is for residents, elected members and staff to have a clear overview of the Council's priorities for service delivery. This is communicated in the form of a published Corporate Plan.

The Councils current Corporate Plan runs until the end of March 2023. During 2022, the Council has been developing the next iteration of the Corporate Plan, which will come into effect from

April 2023. During 2022, it was also agreed that a new performance framework would be developed to outline key performance indicators (KPIs) and reporting mechanisms to ensure the Council's performance against the new priorities can be measured.

Performance management arrangements have continued in 2022/23 to monitor the 70 performance measures and ensure the delivery of the Corporate Plan. Following the Covid pandemic, the reporting frequency has increased back to a quarterly basis.

Member and officer led challenge processes have taken place, with reports to the Leader of the Council and Corporate Leadership Team (CLT). The focus has been on improving services, delivery of the corporate priorities and strengthening accountability to Elected Members.

Quarterly reporting and challenge of corporate plan performance has taken place during the year, prior to reporting to Members at either Policy Council or Executive Board.

Priority issues are highlighted and discussed with all directors and the Chief Executive at Corporate Assurance Board. A challenge summary is produced and is used to brief the Chief Executive. The summary includes data for discussion on the Corporate plan, Management Accountabilities Framework (MAF) and any other key items pertinent for discussion; for example, HR data (sickness and Health & Safety), Business Plans, good news stories, key dates etc.

The Executive Board / Policy Council receives a report on the performance of all the Council's Corporate Plan performance measures. The report also includes areas of underperformance, which are explained in more detail by an exception report. As part of the transparency agenda, any performance indicators that are collected and reported are likely to be listed on the internet and may be subject to public scrutiny. Therefore, key performance indicators must be relevant and robust.

The Council's political and managerial leadership is widely respected. The confidence that partners have in the Council is in part inspired by its track record in stepping up to its responsibilities in partnerships across Lancashire and by its ability to deliver. Political and managerial leaders are experienced and, along with wider membership of the Council and staff, are passionate and committed to the area. This gives the Council a clear understanding of the place and its communities.

The Medium Term Financial Strategy (MTFS) is reviewed at Finance Council, and builds upon the priorities agreed at Policy Council and identified within the Corporate Plan.

Title	CIPFA Criteria	2021/22 Issue	2022/23 Action taken
1. Children's Services Financial Position	1,2,3,4	We are currently working through the year end closure of accounts and as such the final outturn is not yet known, however the portfolio is expected to return an overspend in the region of £2,000,000. This would be an increase on the position reported at quarter 2. The demand pressures that existed in 2020/21 continued into 2021/22 with the largest overspends being seen within Placement Services, specifically Special Guardianship Orders, Commissioned Placements and Foster Care. Additional pressures have been seen against our Home to School and SEN Transport budgets. There is an issue with placement sufficiency and cost pressures on external placements. These placements are closely monitored. There is a national crisis in the availability of placements for cared for children who have social, emotional and mental health issues who have sexually harmful and other risk taking behaviours and the impact of the added requirement for post-16 regulation of suitable accommodation. The implications of the Integrated Care System the pan Lancashire and South Cumbria approach to joint funding of children with complex needs and the implementation of the Individual Patient Allowance needs to be assessed. Consideration is being given to sub regional commissioning, along with a review of the internal provision. The	**Year-end Update 31 March 2023** The Children's Services budget has continued to experience significant pressures throughout 2022/23 and these are expected to continue into 2023/24. Those pressures are predominantly centred on Commissioned Placements, Foster Care payments and Adoption payments, as well as on SEN Transport. We are currently working through the year end closure of accounts and as such the final outturn is not yet known. However the portfolio is expected to return an overspend in line with the position previously reported in August. There remains an issue with placement sufficiency for our looked after children resulting in increasing cost pressures on externally commissioned placements. These placements are closely monitored with regular panel meetings to review them on a case by case basis. There is a national crisis in the availability of placements for cared for children who have social, emotional and mental health needs and who have sexually harmful and other risk taking behaviours, as well as the impact of the added requirement for post-16 regulation of suitable accommodation. Those placements that are available command very large weekly fees and competition for those placements is high.

		independent review into children's social care will a view on this. The budget pressures associated with Special Guardianship Orders have been addressed as part of the Medium Term Financial Plan, with additional funding of £1,000,000 allocated against this budget in 2022/23.	Recruitment and retention of in-house foster carers remains a priority. We are currently reviewing both the financial and wider support package offered to our foster carers to ensure that we remain competitive within the market whilst remaining within our available budget. Any increase in the number of in-house carers recruited as a result of this review would result in a reduction in the reliance on costly external placements. To assist with the financial review, an additional £500,000 has been added to the foster care payments budget in 2023/24 as part of the Council's Medium Term Financial Plan. Various payment models have been costed out and we are now finalising our proposals. It remains to be seen if the revised package will result in the recruitment of additional in-house carers and, once finalised, a strong focus will be placed on our recruitment activity and how we publicise our new offer. The new Integrated Care System and the pan Lancashire and South Cumbria approach to joint funding of children with complex needs has now been in place for 12 months yet due to difficulties experienced by Health in recruiting staff, we are still waiting for our previously approved cases to be reassessed under the new model. As such there remains a great deal of uncertainty surrounding the level of contributions we can expect from Health. In view of this position, the budget for 2023/24 has been realigned to remove the previous income target associated with contributions from Health.

2. Adult Social Care Commissioning	1,2,3	The Department is beginning to see escalating costs in the commissioning budget as a result of increased numbers of domiciliary care packages and increased acuity of need. However the commissioning budget is forecasting an underspend due to one off income in year. Our ongoing engagement with care providers continues to highlight the significant challenges they face following the pandemic (including low occupancy, insurance cost, Infection control, staffing and now escalating fuel and energy costs). These issues are highlighted across the sector at a national level. We have now consulted with providers and finalised our agreed provider fee increases for 2022/23, which allow for the increase in National Living Wage, Employer NI contributions and other inflation. However, the increases are unlikely to fully address the issues faced by providers as our agreed increases are obviously balanced against affordability within the Council's Medium Term Financial Plan. The Government have announced a Market Sustainability and Fair Price for Care Grant for 2022/23, which requires local authorities to undertake a cost of care exercise and publish market sustainability plans. This exercise will be undertaken early in the new financial year and it is anticipated there may be further budget pressures in commissioning which arise from the review in terms of managing the market and the risks associated with provider failure and our ability to deliver statutory care services. The Government have announced Social Care reforms, which will have a very significant impact on numerous aspects of our service including how we assess and commission care, client contributions and our existing systems and processes. At this stage it is difficult to quantify the impact on the commissioning budget. However, it is essential to highlight that the scale of reform changes and pace at which these have to be introduced will have a	**Year-end Update 31 March 2023** The accounts closure process is still underway however the final outturn position for the portfolio's budget is expected to report an overall underspend of circa £1.9m. The majority of this underspend is within the area of Commissioning. The current underspend on external commissioning budgets of £1.3m includes remaining balance for winter demand pressures provision of around £500k. The original value of the provision has been reduced over the course of the year and this has been made possible due to the maximisation of the Discharge Funding of £637k that was announced in December enabling some winter pressures to be funded via the grant rather than using our provision. As part of the final closure process it is requested that this contingency is carried forward and retained to support future costs however this is subject to agreement at outturn. Increased demand pressures in Extra Care and Domiciliary Care as well as the cost of individual care packages due to acuity of needs should be noted during the course of 22/23. This has been contained in year from additional grants and increased Discharge funds have been confirmed for 23/24 (£1.17m) subject to specific conditions and spending and activity returns. This resource must be pooled within the Better Care Fund and is anticipated to be sufficient to meet the continuing demand seen in 22/23 as a result of hospital pressures,

		significant impact on the department at the same time as our preparations for full CQC inspection. The Government have stated that Social Care Reforms should result in additional funding for Social Care but the details are yet to be confirmed.	workforce pressures in the care market and impact of cost of living crisis. During the year the implementation of Social Care reforms was expected, including Care Cap, new Means Testing, new Commissioning responsibilities and Fair Cost of Care. The department have completed the Fair Cost of Care (FCoC) exercise and returned the Cost of Care outcome, together with Market Sustainability Plans and grant spending plans, to the DHSC in line with the grant conditions. The Final Market Sustainability Plan was submitted to DHSC on 1st February 23 and is published on the Council’s website. The department have also developed an updated Market Position Statement. FCoC returns varied across providers in scope. Domiciliary returns were representative of the market but Residential/Nursing returns were very low. For both, the FCoC indicated that the cost within our market is substantially more than our existing rates for 2022/23. It is important to note that the FCoC left significant areas of our market provision out of scope. However the exercise has further informed our local intelligence and identified specific challenges for our providers. This work has informed the care sector provider uplifts modelled for 23/24 and assumptions have been included within the MTFP. Final provider fees for 2023/24 have been submitted to the Executive Board for implementation in April 2023. The provider uplifts for 23/24 are in line with our Market Sustainability plans to move

			towards the Fair Cost of Care and include contracting providers to pay carers at the Real Living Wage. The cost of providers uplifts are within the additional resources and grants included within the MTFP. This includes the additional ASC Precept, additional social care grant and Market Sustainability funding. The allocation of 23/24 grants is subject to specific conditions and significant reporting requirements on both spend and activity data. This will place additional pressures on limited resources within the Adults Commissioning and Finance team. Work is underway to fundamentally review the resourcing of the Commissioning team to ensure the service is fit for purpose in the future. The Government's Autumn Statement confirmed a delay to the implementation of Charging reforms (including the care cap, more generous means test and implementation of Section 18 Commissioning responsibilities) until 2025. However additional work to implement systems and our readiness for these reforms is continuing. Finally the department have updated departmental business plans and have established a new governance structures which will track our progress against key areas, including Strategic Commissioning, Adults Finance and Performance/CQC. Work groups are established to drive forward and implement our plans to deliver against the target operating model, plans for the department and delivery of CQC Assurance and Improvement framework.

3. **Long term financial sustainability of the Council**	1,2,3,4,5, 6	Underpinning the development of the 2022/23 budget (and the Financial Strategy and 2022/25 Medium Term Financial Plan) is the continuing impact of austerity. Although the Council's Core Spending Power for 2022/23 has increased, that increase is neither sufficient to make up for the funding reductions the Council has experienced since 2010 nor reflective of the significant changes in demand for services. Consequently, the Council's Medium Term Financial Plan still shows a forecast funding deficit for which action will need to be taken to ensure the Council remains financially sustainable. The generally accepted view is that the increase in Core Spending Power set out in CSR21 is unlikely to be enough to keep pace with rising demand for Adult Social Care, meaning further pressure on other services that have already borne the brunt of a decade of austerity. In addition there are ongoing income losses from the COVID pandemic as footfall and demand have not risen back to pre-pandemic levels. Further uncertainty has been created by rising inflation and the cost of living crisis and the projected increases in the national living wage will put further pressure in the Council's salary budgets. The February Finance Council meeting approved a Finance Strategy the aim of which is to provide a 'route map' for a balanced sustainable budget over the medium term planning period whilst ensuring that resources are applied in the most effective, efficient and economical way ensuring that the Council's Strategic Plan is achieved. There are four key themes to the Strategy; Grow (the Council's tax bases), Charge (for services where possible), Save (costs through transformation) and Stop (providing services where others are capable of providing them in place of the Council).	**Year-end Update 31 March 2023** At the meeting of Council on 27th February 2023, the Council's General Fund Revenue Budget and Capital Programme were both agreed. At the same, the Council agreed the Council Tax for 2023/24. In considering these budgets, the Council was provided with an update to the Financial Strategy and Medium Term Financial Plan. The Financial Strategy is, as previously set out, based around the themes of 'Grow, Charge, Save, Stop'. Further work has been undertaken to develop the 'save and stop' themes through the development of a series of workstreams. The approach to achieving a balanced budget for 2023/24 uses the Financial Strategy as a foundation. That said, the Council's Medium Term Financial Plan to 2026 still shows a gap of c£12m and so there is further work to do to identify ways to bridge this gap. For 2023/24, the focus will be to deliver the agreed budget without any further need for remedial action or calling on the Council's reserves. This will need to coincide with work to address the gap in the medium term through the various strategic workstreams. These will be complemented by the continuing efforts to grow the Council's tax bases (Council Tax and Business Rates) to create sustainable income streams. This is being supported by an ambitious capital programme which has recently been supplemented by additional levelling up funds of c£40m; this could be supplemented by additional funding through the Council's Levelling Up Partnership with the

			Government and the possibility of bidding to Round 3 of the Levelling Up Fund. A further review of the Financial Strategy and the Medium Term Financial Plan will be undertaken in May 2023 to inform the development of the budget for 2024/25. In the meantime, normal budget monitoring procedures are in place to ensure that the delivery of the budget for 2023/24 remains on track.
4. Children's Services Ofsted Inspection Findings	1,2,3,5	The Ofsted ILACS inspection in February/March 2022 acknowledged that there were areas of good practice in place but found that improvement was required to be good across the four categories inspected. The inspectors identified that that further work was needed to embed the full Quality Assurance Framework to drive forward practice. The outcome of the inspection, and key priorities, were reported to Executive Board in April. The report noted that additional investment would be required to cover improvement activity. A costed improvement plan has been developed and is due to be submitted to Ofsted by 1st July 2022. The plan will be driven by a multi-agency 'Achieving Excellence' Partnership Board which is being be chaired independently to oversee the delivery of the response and actions identified. The Board has now met and had sight of the plan, which will now be approved by Executive Board prior to submission to Ofsted. It will continue to build on the Council's commitment to supporting the most vulnerable. The plan will address the key concerns around multi-agency strategy discussions, data and assurance, and our services and support for care leavers up to the age of 25.	**Year-end Update 31 March 2023** Following consideration of the impact and effectiveness of the Achieving Excellence Board, the decision was made in October to replace it with a new Improvement Board chaired by the regional LGA Children's Improvement Advisor. The Board meets on a monthly basis. In addition to representation from across the department, the following officers are members of the Board to help further support and strengthen the development of a strong corporate and whole council approach to delivering effective services for children: • Chief Executive • Assistant Director, Chief Executive's • Strategic Director, Adults & Health • Strategic Director, Finance & Resources • Head of Organisational Development & Workforce Strategy The Board considers a wider range of issues than the previous Achieving Excellence Board

		The Action Plan will be subject to further refinement as the financial year progresses. This acknowledges that the Council's response needs to be both immediate to deal with some of the issues raised in the Inspection and developed to ensure that the improvements in the service are sustained to deliver the best outcomes for Children in a way that remains affordable for the Council.	including standard items such as leadership and management, quality assurance, workforce, finance and performance, along with relevant reports. The scope of the improvement plan has been widened to capture all areas for improvement across the service, and not just those highlighted within the ILACS report. In light of the feedback from the LGA Peer Review of our leaving care services in March 2023, the improvement plan will be subject to further prioritisation and review to increase its focus on impact, outcomes and performance measures.
5. Teachers' Pension Agency Year End Certification and audit	3,5	There are a number of issues in iTrent when running the Monthly Contributions Reconciliation (MCR) return for teachers' pension contributions which the Council is required to provide the Teachers' Pension Agency (TPA). This is causing additional manual activity for Payroll staff of around 10 days per month that should not be required, is not sustainable and creates the risk of human error. The software provider has been working on identify the cause of the errors and resolving these. This work is currently on-going. The software provider has been put on notice that the Council reserves the right to recovering the additional costs arising from the extra work required as a result of these issues occurring. If the issues are not able to be resolved there is significant reputational risk to the Council. Any under payment of teachers' pensions contributions identified will also attract compound interest. At this stage it is not clear when the issues will be resolved.	**Year-end Update 31 March 2023** Work is still ongoing with the supplier to resolve outstanding issues. Assurance have been given at Project Board that this activity will continue until a resolution as concluded.

		A year end certificate was manually produced by 31 May, as required. This is now required to be audited. The auditor must provide the audited return direct to the TPA by 30th November 2022.	
6. Performance Management System	1,2,3,5	Corporate performance monitoring arrangements were stepped back during the last two years to allow for the Council to provide an effective response to the pandemic. In light of the new Corporate Plan being developed and implemented, alongside the Organisational Development Framework and new Council Values and Behaviours, the Performance Management Framework and reporting arrangements needs to be reviewed, refreshed and strengthened, linked into business plans, to ensure that the right information is being monitored and reported accurately, in a timely manner. This will ensure that there is a better corporate understanding of service performance. This will enable a better corporate focus on service performance along with co-ordination of cross-cutting matters, better engagement with staff and their development and the development of a culture of improvement.	**Year-end Update 31 March 2023** The current Corporate Plan Performance KPI report was taken to Policy Council in December 2022, and this provided an overview and progress on previous corporate plan priorities. During the year, we have refreshed the Council's corporate missions, which were formally adopted at Council Forum in October 2022. Further details were provided at Policy Council in December 2022. The new Corporate Plan 2023/27 has been developed via extensive consultation and engagement which has included a residents' survey, sessions with young people, officer and member engagement and other bespoke sessions with the public and partners. A new suite of Corporate KPIs is being developed and will be measured from Q1 2023/24 Business Planning guidance has been refreshed and issued for 2023/24 and all departments will finalise their plans by end of April. A new Performance Management Framework has been developed and rolled out as part of the Corporate Plan launch and aligns with a refreshed approach to managing individual performance via the new Personal Plans. Corporate Plan Performance reporting alongside the Departmental MAF report will become a twice-yearly update to Corporate

			Assurance Board in 2023/24. We will be building and developing departmental Performance reporting in 2023/24. This will see regular updates on service performance being reported at Corporate Assurance Board in 2023/24. We are planning to publish an annual Delivering for You report. This will showcase some of the work we have delivered/what we achieved and will complement the formal performance reports.

REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review of effectiveness is informed by the work of the members of the Council's CAB who each sign an annual assurance certificate regarding the effectiveness of the governance arrangements in place within their areas of responsibility, the Head of Audit & Assurance's annual opinion report, and by comments made by the external auditors and other inspection agencies.

The Council regularly reviews its Constitution and has delegated to the Audit & Governance Committee responsibility for reviewing the effectiveness of the governance framework and for reporting to the Executive Board where it thinks that there are issues that must be considered by the Executive.

The Scrutiny Committees set their own annual work plans and report to the Council both quarterly and annually. These Committees continue to monitor the performance and delivery of the Executive, engaging and challenging through a variety of scrutiny review methodologies, traditional reviews, appreciative and collaborative inquiries. Where appropriate, Members will utilise Task and Finish Groups outside of Committee to scrutinise and work with Officers on a wide range of issues. Overview and Scrutiny arrangements have been reviewed and revised and their effectiveness will be monitored.

The Audit & Governance Committee, in addition to having responsibility for reviewing the Corporate Governance Framework, also has responsibility for reviewing the effectiveness of risk management arrangements. The Committee receives an annual risk management report. The 2021/22 report concluded that "the Council continues to maintain robust and effective risk management processes".

The Standards Committee promotes and maintains high standards of Member conduct and monitors the operation of the Code of Conduct. A new Member's Code of Conduct was approved by Council on 30 August 2012 in accordance with the Localism Act 2011. This included new arrangements for dealing with member complaints. The Committee also examines the training needs of Members relating to the Code of Conduct and if necessary make appropriate recommendations.

The Standards Committee reviews the Member Code of Conduct and Complaints procedures on an annual basis and the latest versions are included as part of the Constitutional updates to Council.

Any matters following investigation, which require a hearing for determination of a potential breach of the code of conduct would be considered by the Hearings Panel (Sub Committee of the Standards Committee) who would make appropriate recommendations.

External inspection and assurance by External Audit during the year

The final Auditors Annual Report for the year ended 31 March 2021 presented by the Council's external auditor to the Audit & Governance Committee in June 2022 noted that their work for that year on both business as usual and adapted structures had not identified any identified any significant weaknesses in arrangements. It also noted that the Council is operating in an increasingly uncertain financial environment and will need to continue to plan with little certainty over funding in the medium term. Despite this the Council has maintained a good financial position. Overall there was no evidence of significant weaknesses in the Council arrangements for ensuring it makes informed decisions and properly manages its risks.

The Report also noted the following:

- The information published in the financial statements, including the Narrative report and Annual Governance Statement, was consistent with their knowledge of the Council and the financial statements they had audited.
- The Council had suitable arrangements in place for planning and managing its finances.
- With regards to financial sustainability the Council was well managed and there was a high level of understanding of its budgetary position, budgetary pressure and any savings required. The budget was reviewed regularly and issues reported on a timely basis to those charged with governance.
- Overall the external auditor was satisfied the Council had appropriate arrangements in place to ensure it managed risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources.

The external auditors did not make any statutory recommendations or exercise any of their additional statutory powers or duties under the Local Audit & Accountabilities Act 2014 in the course of their work for the 2020/21 audit year. No significant weaknesses or key recommendations for the Council were identified as part of their work on arrangements to secure value for money.

We have been advised of the result of the review of the effectiveness of the governance framework by the Audit & Governance Committee and SGOG, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

SIGNIFICANT GOVERNANCE ISSUES

A key element of the annual governance review process is also to identify any significant internal control issues. The Council has adopted the approach recommended by CIPFA, which has identified what may be considered generally as a significant issue. These criteria are:

1. The issue has/may seriously prejudice or prevent achievement of a principal objective;
2. The issue has/may result in a need to seek additional funding to allow it to be resolved;
3. The issue has/may result in significant diversion of resources from another aspect of the business;
4. The issue has/may lead to a material impact on the accounts;

5. The issue, or its impact, has/may attract significant interest or seriously damaged the reputation of the Council;
6. The issue has/may result in formal action being taken by the Section 151 Officer and/ or the Monitoring Officer;
7. The audit committee, or equivalent, has advised that it should be considered significant for this purpose, or
8. The Head of Internal Audit has reported on it as significant in the annual opinion on the internal control environment.

Significant governance issues identified during 2022/23 are outlined in the following table:

Title	CIPFA Criteria	Issue / Actions being taken	Responsible officer(s)
Long term financial sustainability of the Council	1,2,3,4,5,6	The development of the 2023/24 budget (and the Financial Strategy 2022/25 and update to the Medium term Financial Plan 2023/26) is set against a continuing challenging national economic backdrop and on-going pressures on public finances and spending. Although the Council's Core Spending Power will increase this is predicated on a number of assumptions and is not sufficient to make up for the funding reductions the Council has experienced since 2010 nor is it reflective of the significant changes in demand for services and increased costs that the Council is experiencing. These include the significant pressures the Children's Services budget experienced throughout 2022/23 which are expected to continue into 2023/24. Those pressures are predominantly centred on Commissioned Placements, Foster Care and Adoption payments, as well as SEN Transport. There is also the potential for an increase in contract costs in respect of the extra care and sheltered housing contract and the LD supported living framework for Adults Social Care as rates are likely to rise significantly in order to reflect the current market process and ability to attract suitable workforce to support increasingly complex packages of care in the community. Following Covid-19 it is likely that the Council will see the risk of increased contract costs across the wider sector including Residential, Nursing and Domiciliary care. In addition there a range of other cost pressures that the Council is subject to	Chief Executive and Directors

		which need to be managed. Some of these are generic (pay award, National Living Wage and non-pay inflation) and some specific to services. The Council remains heavily dependent on government funding to both provide services and to invest in economic growth and regeneration. To the extent that this remains constrained and there continues to be limits on the Council's ability to raise income locally, either imposed by Government or because of the nature of the local economy, the Council will continue to experience difficulties in achieving a balanced budget. Whilst the 2023/24 budget is balanced there remains a budget gap of c£12.2m to 2025/26. The Financial Strategy, amongst other matters, provides a broad framework by which the Council can implement measures to deal with this gap. The Strategy is based around the following themes: • Growing the council tax bases; • Charging for services, reviewing fees and charges, reducing subsidies, and considering new fees and charges etc; • Saving costs through transformation; and • Stopping spending on low priority areas or working with other partners to deliver services that would otherwise be delivered by the Council. For 2023/24, the focus will be to deliver the agreed budget without any further need for remedial action or calling on the Council's reserves. The Council is taking a strategic approach to the delivery of savings over the medium term through a series of workstreams. Amongst other matters, these are considering the structure of the organisation, how the Council delivers services, the operating models in both Adult and Children's social care and how we exploit technology through the transformation of frontline and back office services.	
Children's & Education and Adults Inspection Readiness	1,2,3,5	Children's Services & Education are subject to inspection from OFSTED, the Care Quality Commission (CQC) and Youth Justice Board, along with the Joint Targeted Area Inspection (JTAI) of the	Strategic Directors Children's & Education and

		Council, Police and Health partners in relation to the wider safeguarding partnership. Over the coming year the directorate may be subject to a focused inspection following our ILACS full inspection in March 2022, and a local area SEND inspection, which includes Children's Services and Health. Preparation for the focused visit is part of our monthly Improvement Board agenda. The Improvement Board is to be expanded and include partners from Health and Police. The areas of improvement identified in the recent JTAI will be included in the Board monitoring arrangements. Preparation for the Local SEND inspection is managed through the SEND Operational Improvement Board and SEND Strategic Board. This board has partners from Education, Health, Adult and Children's social care. Under the Health and Care Act 2022, from 1st April 2023 Local Authority Adult Social Care departments are also being inspected by CQC and assessed for their compliance with Care Act 2014 and other legislative requirements. The Act gives inspectors new powers to allow them to provide a meaningful and independent assessment of care at a local authority and integrated care system level. There is a reputational risk to the Council if we fail to prepare appropriately and subsequently receive a poor outcome. A self-assessment has been carried out against identified key themes and quality statements. Gaps in provision and areas for development have been identified, with plans to address these gaps being developed. Subject matter experts have been identified and working groups established to gather, validate and log pieces of evidence. Governance arrangements are in place to report activity into Senior Leadership Team.	Adults and Health
Completion and Sign-off of Financial	1,4	The Council's Statement of Accounts for the years 2020-21 and 2021-22 have not been signed off by the external auditors, Grant Thornton. This creates a significant	

Statements by External Audit		resource issue for the corporate finance team in terms of delays and the workload arising from having three separate years of accounts open. As a result of earlier years not being signed off the closure of the 2022-23 accounts and therefore production of the 2022-23 Statement of Accounts and subsequent audit will be delayed. The issues compound year on year. In addition the Council has new auditors, Mazars for financial year 2023-24 and there is potential that they will not start their audits until Grant Thornton have completed the prior years.	
Corporate and Departmental Performance Management System	1,2,3,5	The Corporate Plan 2023/27 was launched following Policy Council in December 2023. Alongside this a new suite of Corporate KPIs is being developed and will be measured from Q1 2023/24. Business Planning guidance has been refreshed and issued for 2023/24 and all departments will finalise their plans by end of April. A new Performance Management Framework has been developed and rolled out as part of the Corporate Plan launch. Corporate Plan Performance reporting alongside the Departmental MAF report will become a twice-yearly update to Corporate Assurance Board in 2023/24. We will be building and developing departmental performance reporting in 2023/24. This will see regular updates on service performance being reported at Corporate Assurance Board in 2023/24.	Assistant Director, Chief Executives Department

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: ....
Leader **Chief Executive**

Date: ....

TO: Audit & Governance Committee

FROM: Chief Executive
Deputy Director, Legal & Governance

DATE: 28 June 2023

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF BRIEFING PAPER **Audit & Governance Committee Annual Report**

1. PURPOSE

The draft Audit & Governance Committee Annual Report 2022/23 is attached for consideration and approval (Appendix A). This summarises the work undertaken and reports considered by the Committee during the year to demonstrate that it has fulfilled its agreed terms of reference.

2. RECOMMENDATIONS

The Committee is asked to:

- Consider and approve the Committee's Annual Report; and
- Refer the report to Full Council for endorsement.

3. BACKGROUND

The CIPFA 'Audit Committees: Practical Guidance for Local Authorities and Police' 2022 edition incorporates CIPFA's Position Statement on Audit Committees in Local Authorities and the Police as well as setting out the purpose and core functions of an audit committee. This notes that although no single model of committee is prescribed, all should report regularly on their work and at least annually report an assessment of their performance.

4. RATIONALE

The Audit & Governance Committee is a key component of the maintenance of an adequate and effective governance framework. Through its annual report the Committee can demonstrate its effectiveness in fulfilling its role to provide independent assurance regarding the adequacy of risk management, the overall governance and associated control environment, and also scrutiny of the Council's financial and non financial performance to the extent that it affects its exposure to risk and weakens the control environment.

5. KEY ISSUES

Having an effective Committee brings many benefits to the Council, such as:

- increasing public confidence in the objectivity and fairness of financial and other reporting;
- providing additional assurance through a process of independent and objective scrutiny;
- raising awareness of the need for internal control and the implementation of audit recommendations; and,
- reinforcing the importance and independence of internal audit.

The Committee's activities during 2022/23 were designed to make a positive contribution to the continual improvement of control, governance and risk management arrangements across the Council, as well as performing the roles set out for the Committee in the Council's Constitution.

The Committee has had the opportunity to examine and challenge the arrangements for effective governance thorough the reporting arrangements that are in place. The detail set out in the Annual Report attached as an Appendix to this report indicates the breadth of the Committee's work in ensuring that key aspects of the Council's work should be compliant with expected standards of governance, control and/or risk management and transparent to its stakeholders. The reports received by the Committee during 2022/23 indicate that there has been thorough coverage of the Committee's Terms of Reference. In this way, the Annual Report demonstrates the value of the Committee to the Council and public, ensuring that governance and internal control arrangements are on a sound footing.

Good practice guidance exists for the effective operation of audit committees across the public sector, including the most recent publication by CIPFA noted above. That guidance includes a Self-Assessment of Good Practice. This was completed on behalf of the Committee during the year and was considered at its meeting on 2 March 2023. Appendix 2 of the attached report sets out the result from the self-assessment. The guidance also included a tool for audit committees to use to evaluate their effectiveness. The results of this assessment are set out in Appendix 3 to the attached report for reference.

6. POLICY IMPLICATIONS

There are no direct policy implications arising from this report.

7. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

8. LEGAL IMPLICATIONS

There are no direct legal implications from this report.

9. RESOURCE IMPLICATIONS

The resource implications are within the report.

10. EQUALITY AND HEALTH IMPLICATIONS

The decisions to be taken do not change policy and do not require any further consideration in respect of equality or health issues.

11. CONSULTATIONS

Chair of the Audit & Governance Committee.

Contact Officer:	Colin Ferguson, Head of Audit & Assurance - Ext 5326
Date:	30 June 2023
Background Papers:	CIPFA Audit Committees: Practical Guidance for Local Authorities and Police (2022 Edition).

Appendix A

Blackburn with Darwen Borough Council

Draft Audit & Governance Committee Annual Report 2022/23

1. Background to the Governance Framework

1.1. What drives governance policy?

1.1.1. The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility, the Council is also responsible for ensuring that there are sound systems of internal control and governance in place which facilitate the effective exercise of the Council's functions and which include adequate arrangements for the management of risk.

1.1.2. Effective corporate governance is a fundamental feature of any successful public sector organisation. Corporate governance initially became a major issue after several high profile failures in the private sector. As a result, there have been several reviews directed at improving governance in that sector.

1.1.3. The trend for strengthening governance arrangements spread to the public sector and resulted in the publication of a joint Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives and Senior Managers (SOLACE) document, Delivering Good Governance in Local Government – a Framework, in 2007. The Framework was intended to be used as best practice for developing and maintaining a locally adopted code of governance. It was intended to assist authorities in reviewing the effectiveness of their own governance arrangements by reference to best practice and using self-assessment.

1.1.4. In 2016 CIPFA/SOLACE published a revised Framework to ensure that local government continues to develop and shape its own approach to governance, taking account of the environment in which it now operates. The new Framework applied to annual governance statements prepared for the financial year 2016/17 onwards. It is based on the International Framework: Good Governance in the Public Sector published by CIPFA and the International Federation of Accountants in 2014 and contains seven core principles. These are set out in 1.1.8 below.

1.1.5. The International framework defines governance as follows:

"Governance comprises the arrangements put in place to ensure the intended outcomes for stakeholders are defined and achieved."

1.1.6. It also states that:

"To deliver good governance in the public sector both governing bodies and individuals working for public sector entities must try to achieve their entities objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and stakeholders."

1.1.7. Blackburn with Darwen Borough Council operates through a governance framework that brings together an underlying set of legislative requirements, governance principles and corporate policies and management processes.

1.1.8. The Council recognises the seven core principles of good governance identified by CIPFA/SOLACE to ensure that the intended outcomes for stakeholders are defined and achieved, while acting in the public interest at all times. These are:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
B. Ensuring openness and comprehensive stakeholder engagement;

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
D. Determining the interventions necessary to optimise the achievement of the intended outcomes;
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
F. Managing risks and performance through robust internal control and strong public financial management; and
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

1.1.9. The Council's local Code of Corporate Governance was revised during 2016 to ensure that it complied with the latest requirements. It was updated again during 2018/19 as part of the annual review of the Constitution, to provide improved clarity and explanation and was approved by full Council in May 2018.

1.1.10. The local Code establishes specific standards operating principles and values for the Council, its members and staff. These build on the Seven Principles of Public Life (the Nolan Principles). The Principles apply to anyone who works as a public officer –holder. This includes all those elected or appointed to public office and all people working in local government. The principles are:

- Selflessness;
- Integrity;
- Objectivity;
- Accountability;
- Openness;
- Honesty; and,
- Leadership.

2. Blackburn with Darwen Borough Council Audit & Governance Committee

2.1. Why do we need an Audit Committee?

2.1.1. Whilst there is currently no statutory requirement to have an audit committee they are widely recognised as a core component of an effective governance framework and therefore reflect good practice. Regardless of a specific legislative or regulatory framework, Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a Chief Financial Officer to have responsibility for those affairs. To be truly effective, the Chief Financial Officer requires an effective audit committee to provide support and challenge, as well as an adequate and effective internal audit. Both these elements are now enshrined in the 'Public Sector Internal Audit Standards' and the supporting 'Local Government Application Note' published by CIPFA.

2.1.2. The Council's Audit & Governance Committee has a key role in overseeing and assessing the internal control, risk management and corporate governance arrangements in place and advising on the adequacy and effectiveness of these arrangements. This role is formalised in the Committee's terms of reference.

2.1.3. The Council's Audit & Governance Committee is properly constituted and is given sufficient authority and resources by the Council. The Committee has the right to obtain all the information it considers necessary and to consult directly with senior managers. In line with best practice from both the public and private sectors, the Audit & Governance Committee can report its observations and concerns directly to the Executive Board.

2.1.4. Good corporate governance requires independent and effective assurance about the adequacy of financial management and of management arrangements for achieving the organisation's objectives. These responsibilities require an independent and challenging approach. Through these mechanisms, Committee Members are able to use their skills and experiences to influence the Council's governance, internal control processes and risk management arrangements.

2.1.5. An effective Committee can bring many benefits to the Council, including:

- increasing public confidence in the objectivity and fairness of financial and other reporting;
- providing additional assurance through a process of independent and objective scrutiny;
- raising awareness of the need for internal control and the implementation of audit recommendations; and,
- reinforcing the importance and independence of internal audit.

2.2. What does an audit committee do?

2.2.1. Audit committees are a key component of corporate governance. They increase public confidence in the objectivity and fairness of financial and other reporting. They also provide a high-level focus on assurance and the organisation's arrangements for governance, managing risk and maintaining an effective control environment.

2.2.2. Good practice is contained within CIPFA's document 'Audit Committees – Practical Guidance for Local Authorities and the Police' (2018 Edition). The latest edition of the document updates the core functions of an audit committee in relation to governance, risk management, internal control and audit. The introduction of the Public Sector Internal Audit Standards, along with annual governance statements and associated guidance has also been considered in relation to their impact on an audit committee.

2.2.3. During 2022/23 the Audit & Governance Committee consisted of six cross party elected Members. The Committee's purpose, as set out in its terms of reference, are to:

- provide independent assurance of the adequacy of the risk management framework, overall governance and the associated control environment and the extent to which these meet the objectives of the Local Code of Corporate Governance;
- provide independent review of the Council's governance, risk management and control frameworks;
- oversee the financial reporting and annual governance processes; and
- oversee internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.

2.2.4. The Audit & Governance Committee provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. It also provides assurance, on behalf of the Council, about the extent to which the objectives of the Local Code of Corporate Governance, as set out in the Constitution, are being met. This purpose is reflected in the Committee's Terms of Reference, which are included at Appendix 1 of this report.

2.2.5. The CIPFA guidance includes a greater focus on the factors that support improvement. These include the knowledge and skills that Audit Committee members require and a focus on where the Audit Committee adds value. The publication provides practical support to the Committee in evaluating the existing Committee arrangements and any planned improvements.

2.2.6. The guidance includes a self-assessment checklist of good practice to assist both Members and Officers who are involved in the operation of the Committee. The checklist was reviewed and updated by Audit & Assurance on behalf of the Committee during 2022/23. It was presented for consideration at the Committee's meeting on 2 March 2023, along with an evaluation of the effectiveness of the Committee completed by the Head of Audit & Assurance on behalf of the Committee. The results of the assessments against the CIPFA best practise and evaluation of effectiveness are included at Appendix 2 and 3 of this report for reference. The results provide evidence that the Committee is operating effectively and, with the exception of independent member representation on the Committee, is following CIPFA best practice.

2.2.7. The Audit & Governance Committee met three times during the 2022/23 financial year. Timings of the meetings throughout the year are designed to coincide with the governance timetable. The June meeting received various annual assurance reports in respect of the year ended 31 March 2022 including the Head of Audit Annual Audit Opinion and the Treasury Management Annual Report. The Council's 2021/22 Annual Governance Statement was also received and approved. The meeting on 29 November received the External Auditors Audit Plan for their audit of the Council's Financial Statements for the year ending 31 March 2022.

2.2.8. The Committee meeting on 2 March 2023 received an update from External Audit on the progress of their work on the Council's 2020/21 and 2021/22 Financial Statements. The report noted that there were no significant matters arising from the 2021/22 audit to draw to members' attention at that stage. The Committee had previously received the Final Auditors Annual Report for 2020/21 at its meeting in June 2022. The reported that the external audit work on the financial statements was substantially complete except for a national issue that had arisen with regards to infrastructure assets. The External Auditor was awaiting the outcome from a task and finish group set up by CIPFA to consider this issue and then assess the impact on the audit of the 2020/21 financial statements.

2.2.9. The Committee's terms of reference and outline work programme (see Appendices 1 and 4), and associated reports it receives, are designed to enable its Members to make a positive contribution to the continual improvement of control and governance processes and arrangements across the Council, as well as performing the roles as identified by the Constitution. Member attendance details are set out in Appendix 4

2.2.10. As well as the assurance provided to the Committee from the key reports received from the Council's External Auditor, the Committee also places reliance on the work carried out by Audit & Assurance in delivering the annual internal audit plan. Assurance is gained throughout the year from considering the progress reports received at each meeting. These provide the Committee with an overview of the activity carried out by internal audit during the period, including counter fraud activity, and an overview of all audit reports finalised. Emphasis has been on limited or no assurance reports and related control implications. Where these opinions are in respect of key or fundamental systems the Committee will invite senior officers to update the members on progress of implementing recommendations from these reviews to provide further assurance to the Committee regarding the implementation of agreed actions. There were no limited or no assurance opinions provided on fundamental finance or other key systems during the year.

2.2.11. The Committee also receives a full year overview of internal audit work when the Internal Audit Annual Opinion Report is presented, alongside the Annual Counter Fraud Report. The former report provides the Head of Audit annual opinion on the Council's overall position in relation to the adequacy and effectiveness of risk, governance and internal control systems, based on the work completed by the internal audit team and other sources of assurance, as required by the Public Sector Internal Audit Standards.

2.2.12. The details of the Committee's work programme for 2022/23 and associated reports received, (see Appendix 4), demonstrate how the Committee has fulfilled its terms of reference during the year and its commitment to monitoring and helping improve the Council's risk, control and governance environments in the year ahead. The appendix also includes a summary of the planned and actual internal audits completed during the year, together with the assurance ratings for each completed review. This sets out details of the pattern of overall assurance provided across the agreed 2022/23 internal audit programme.

2.2.13. In addition to these meetings, an induction and refresher session was held for the Committee members to explain the purpose of the Committee and their role and responsibilities in June 2022 and presentation on the role of internal audit was delivered in September. The members were also provided with links to a CIPFA webinar on internal audit for audit committee members, the CIPFA Counter Fraud Workbook for Councillors and counter fraud training and awareness information.

2.2.14. There has also been a risk management awareness session during the year and two finance sessions for all members to provide them with an overview of Local Government finance concepts and requirements in advance of the February Finance Council meeting where the 2022/23 Council budget and Financial Strategy were presented for approval.

2.3. How do officers support the Committee?

2.3.1. During the year the Audit & Governance Committee has been supported by:

- The Chief Executive, as Head of the Paid Service, with overall responsibility for the Council's management and executive arrangements;
- The Strategic Director, Finance & Resources, as Section 151 Officer, who is responsible under the law for ensuring the proper administration of the Council's financial affairs; and

- The Deputy Director, Legal and Governance, as the Council's Monitoring Officer, who is required by law to ensure that the Council acts within its legal powers at all times.

2.3.2. The Strategic Director, Finance & Resources takes the lead on financial, audit, risk management and internal control matters. The Deputy Director, Legal and Governance, leads on constitutional and legal issues. The Head of Audit & Assurance also has a key role to play in supporting the Committee because of the importance of the Internal Audit Service to governance. These Officers are responsible for making the Committee aware of any relevant changes in regulations, guidance, and codes of practice.

2.3.3. The Committee is also supported by External Audit colleagues, who attend each meeting to update members on the progress and results of their work, as well as providing regular sector updates for consideration. These highlight key findings and messages from national reports and studies and include questions for consideration by the Committee.

2.3.4. During the year the Committee continued its cycle of corporate risk reviews. Corporate risk owners and/or key contacts for the risk areas have provided briefings to the Committee on a selection of risk register entries. This has included details regarding the background to the risk identified, the risk assessment process and control arrangements in place to manage or mitigate the relevant risk should it occur. This review and challenge process has improved the Committee's oversight and understanding of the likelihood and potential impact of the corporate risks identified by the Council and on the achievement of related corporate priorities.

2.4. Effectiveness of the Audit & Governance Committee

2.4.1. The Committee considers that it has been effective in fulfilling its terms of reference during 2022/23. The details provided in this report and the reports presented and considered by its members during 2022/23 demonstrate that adequate consideration has been given to all the core areas identified to enable the Committee to fulfil its role and responsibilities.

2.4.2. The Committee's terms of reference set out a range of activities that provide appropriate assurance to the Council in terms of how it manages risk, and ensures adequate and effective control and governance arrangements exist and operate effectively to secure the efficiency and effective use of its resources. Training opportunities have been made available to members during the year to ensure that they are able to fulfil their role as members of the Committee.

2.4.3. The Committee has been active during the year in carrying out its duties in monitoring internal and external reports to ensure that it is satisfied with the effectiveness of controls and the governance and risk management arrangements in place, in accordance with its role and functions set out in its terms of reference in Appendix 1.

2.4.4. Based on the reports and information presented to the Audit & Governance Committee for consideration during the 2022/23 it is the members view that the Council has sound financial controls, risk management and governance arrangements in place.

2.4.5. The Committee also has the opportunity to invite those senior officers and managers to account for services or functions where they consider there have been significant financial, internal control or governance weaknesses identified. No significant areas of concern were identified during 2022/23 where this was required. The members continue to challenge any impairment in stewardship and control of public funds and assets, seeking assurance that prompt and proportionate management actions have been taken. This includes review of the follow-up work carried out as part of the Internal Audit Plan.

2.4.6. This provides the Council with assurance that effective internal control arrangements were in place during the last year and that appropriate action has been taken to address any concerns raised as a result of any of the inspection and assurance processes in place. This is evidenced by the details provided in Appendix 4 through the various reports received and considered by the Committee at its meetings during the year to support its work programme and how each of these enable the Committee to fulfil its terms of reference.

2.4.7. The External Auditor's Final Auditors Annual Report for 2020/21, considered by the Committee at its meeting in June 2022, included an opinion on value for money (VfM). The External Auditor was required to carry out sufficient work to be satisfied on whether the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources during the year ended March 2021 and to provide a conclusion on this. Under the National Audit Office 2020 Code of Audit Practice, auditors are now required to report in more detail on the Council's overall arrangements, as well as any significant weaknesses identified. The auditors were required to report on the arrangements under the following specified criteria:

- improving economy, efficiency and effectiveness;
- financial sustainability; and
- governance.

2.4.8. The External Auditor had did not identify any significant weaknesses in the arrangements in place in any of the above areas. A number of improvement recommendations were made in respect of financial sustainability and governance. Full details were provided in the report.

2.4.9. These related to the following areas:

- The review of the medium term Financial Strategy;
- Levels of reserve;
- Reporting of mandated and discretionary expenditure;
- The Council's Minimum Revenue provision ; and
- Updating of policies which were several year's old.

2.4.10. The External Auditors work did not identify any significant and pervasive weaknesses in arrangements. Therefore they did not make any statutory recommendations nor did they have to discharge any other wider powers under the Local Government Act 2014 for the 2020/21 audit year.

Appendix 1

AUDIT & GOVERNANCE COMMITTEE TERMS OF REFERENCE

Statement of Purpose:

Our Audit and Governance Committee is a key component of Blackburn with Darwen Borough Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the Audit and Governance Committee is to:

- provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment and the extent to which these meet the objectives of the Local Code of Corporate Governance;
- provide independent review of the Council's governance, risk management and control frameworks;
- oversee the financial reporting and annual governance processes; and
- oversee internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, Risk and Control:

The Audit and Governance Committee will:

1. Review the Council's corporate governance arrangements against the good governance framework including the ethical framework and consider the local code of governance.
2. Review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and controls.
3. Consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
4. Consider the framework of assurance (including the Management Accountabilities Framework) and ensure that it adequately addresses the risks and priorities of the Council.
5. Monitor the effective development and operation of risk management in the Council.
6. Monitor progress in addressing risk-related issues reported to the Committee.
7. Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
8. Review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
9. Monitor the Counter Fraud strategy, actions and resources.
10. To review the Governance and Assurance arrangements for significant partnership or collaborations.

Internal Audit

The Audit and Governance Committee will:

1. Approve the internal audit charter.
2. Approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
3. Approve significant interim changes to the risk-based internal audit plan and resource requirements.
4. Make appropriate enquiries of both management and the Head of Audit & Assurance to determine if there are any inappropriate scope or resource limitations.

5. Consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing, of the Head of Audit and Assurance, and to approve and periodically review safeguards to limit such impairments.
6. Consider reports from the Head of Audit & Assurance on internal audit's performance during the year. These will include:
    a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
    b) Regular reports on the results of the Quality Assurance and Improvement Programme.
    c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
7. Consider the Head of Audit & Assurance's annual report, including:
    a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.
    b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion and the implications of any significant matters identified – these will assist the Committee in reviewing the Annual Governance Statement.
8. Consider an annual risk management report.
9. Consider summaries of specific internal audit reports as requested.
10. Receive reports outlining the action taken where the Head of Audit & Assurance has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
11. Contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
12. Consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.
13. To provide free and unfettered access to the Chair of the Audit and Governance Committee for the Head of Audit and Assurance, including the opportunity for a private meeting with the Committee.

<u>External Audit</u>

The Audit and Governance Committee will:

1. Support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments.
2. Consider the external auditor's annual letter, relevant reports, and the report to those charged with governance prior to publication of the annual accounts.
3. Consider specific reports as agreed with the external auditor.
4. Comment on the scope and depth of external audit work and to ensure it is effective and gives value for money.
5. Commission work from internal and external audit.
6. Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

<u>Financial Reporting</u>

The Audit and Governance Committee will:

1. Review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
2. Consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Treasury Management

The Audit and Governance Committee will:

1. Monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.
2. Ensure effective scrutiny of the treasury management strategy and policies.
3. Review the treasury management risk profile and adequacy of risk management processes.
4. Consider reports on treasury management activity during the year.

Accountability Arrangements

The Audit and Governance Committee will:

1. Report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.
2. Report to full council on an annual basis outlining the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.
3. Publish an annual report on the work of the Committee.

Authority

The Committee is authorised by the Council to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee, including those of partner organisations, and all employees are directed to co-operate with any request made by the Committee.

Frequency of Meetings

The Committee will normally meet five times each year to fulfil its requirements.

Outline Programme

In order to meet its principal responsibilities during the year the Committee will consider the following reports/activities:

PROGRAMME ACTIVITY:	**TERMS OF REFERENCE NUMBER**
Governance, Risk and Control	
Annual Statement (AGS)	1,2,3,4
AGS Progress Report	1,2
Risk Management Annual Report	4,5,6
Internal Audit Opinion Report	2,5,7
External Audit Findings Report	3
External Audit Annual Audit Letter	1,2,3
MAF Update	4

Risk Management Update	5,6
Corporate Health, Safety & Wellbeing Annual Report	4,5,6
IA Progress & Outcomes Report	7,8,9
Reports from Other Committees or agencies	3,4,5,6,7
Significant Partnerships Report	10
Internal Audit	
Annual Plan	1,2,4,5,13
IA Progress & Outcomes Report	3,4,5,6,9,10
Risk Management Annual Report	8
Annual Opinion Report	4,5,6,7,9,10,11,12,13
External Audit	
Annual Audit Letter	1,2,4,5
Annual Plan	2,4,5
Progress Report	1,3,4,5,6
Findings Report	1,2,3,5,6
Fees Letter	4,5
Financial Reporting	
Statement of Accounts	1
External Audit Findings Report	2
External Audit Annual Audit Letter	2
Application of Accounting Policies	1
Assessment of Going Concern Status	1
Treasury Management	
Strategy Report	1,2
Progress Report	1,3,4
Annual Outturn Report	1,3,4
Accountability Arrangements	
Committee Annual Report	1,2,3
Committee Self-assessment	2,3

The programme itself will develop over time as new statutory responsibilities are introduced and the timetable may vary, for example, as the Council is required to close its accounts earlier each year.

<u>Membership</u>

The Committee will consist of six members appointed by Full Council. In addition, the Executive Member for Finance & Governance will also attend each Committee meeting.

The Leader of the Council and all Executive Members are precluded from being voting members of the Committee.

A quorum shall be three Members.

New Committee members will be required to undertake appropriate induction training to enable them to adequately perform their duties as and when necessary.

Attendance

Committee members are expected to make every effort to attend all meetings, where this is not possible a substitute should be nominated.

To achieve these objectives the Committee will depend principally on the attendance of the Chief Executive, Director of Finance and Customer Services, the Director of HR, Legal & Corporate Services and the Head of Audit & Assurance or their nominated representatives. The Council's external auditors, external advisors and Directors may be requested to attend as and when appropriate.

Reporting

The Annual Audit and Governance Committee Report will be formally reported to Full Council.

Further reports will be made in those cases where the Committee considers matters must be formally brought to the attention of Full Council.

Audit & Governance Committee Self-Assessment against CIPFA Position Statement in Local Authorities and Police 2022 Good Practice Checklist

REF	CIPFA RECOMMENDED AUDIT COMMITTEE GOOD PRACTICE AND PRINCIPLES	YES	PARTIAL	NO	ACTION REQUIRED
Independent and effective model *The Audit Committee should*:					
1	Be directly accountable to full council.	√			
2	Be independent of both the executive and the scrutiny functions.	√			
3	Have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups.	√			
4	Have rights to request reports and seek assurances from relevant officers.	√			
5	Be of an appropriate size to operate as a cadre of experienced, trained committee members.	√			
6	Include at least two co-opted independent members to provide appropriate technical expertise.		√		In the 2022 update of the Constitution the Committee membership has been amended to include 2 independent (non voting) members appointed by the Committee along with the 6 members appoint by Full Council. Arrangements can be made to appoint the co-opted independent members during 2023.
Core functions *Specific responsibilities include:*					
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement? • Maintenance of governance, risk and control arrangements. • Financial and governance reporting, • Establishing appropriate and effective arrangements for audit and assurance.	√			

REF	CIPFA RECOMMENDED AUDIT COMMITTEE GOOD PRACTICE AND PRINCIPLES	YES	PARTIAL	NO	ACTION REQUIRED
Audit committee membership					
8	Members are trained to fulfil their role so that they are objective, have an inquiring and independent approach, and are knowledgeable.	√			
9	The membership promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.	√			
10	The chair is strong, independently minded, and displays a depth of knowledge, skills, and interest.	√			
11	The members demonstrate a willingness to operate in an apolitical manner.	√			
12	Members have unbiased attitudes – treating auditors, the executive and management fairly.	√			
13	The members are able to challenge the executive and senior managers when required.	√			
Engagement and outputs *To discharge its responsibilities effectively, the committee should:*					
14	Meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public.	√			
15	Be able to meet privately and separately with the external auditor and with the head of internal audit	√			
16	Include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor.	√			
17	Have the right to call on any other officers of the authority as required.	√			
18	Support transparency, reporting regularly on its work to those charged with governance.		√		The Committee minutes are included as appendices to the Annual Report, which is presented to Full Council. Consider presenting these to full Council more regularly.

REF	CIPFA RECOMMENDED AUDIT COMMITTEE GOOD PRACTICE AND PRINCIPLES	YES	PARTIAL	NO	ACTION REQUIRED
19	Report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.	√			

Appendix 3

CIPFA'S AUDIT COMMITTEES PRACTICAL GUIDANCE FOR LOCAL AUTHORITIES (2018 EDITION)
Evaluating the Effectiveness of the Audit Committee

Assessment key

5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
1	No evidence can be found that the audit committee has supported improvements in this

Blackburn with Darwen Borough Council Audit Committee Effectiveness Assessment 2022/23

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Promoting the principles of good governance and their application to decision making.	Supporting the development of a local code of corporate governance. Providing robust review of the Annual Governance Statement (AGS) and the assurances underpinning it. Working with key members to improve their understanding of the AGS and their contribution to it. Supporting reviews/audits of governance arrangements. Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships.	The Committee reviews the draft AGS prior to approving it and monitors progress of actions to address the significant issues identified in the previous year's AGS. It also receives regular internal audit and risk management progress reports. The Committee considers the Risk Management Annual Report and the annual opinions from Internal Audit (IA) and External Audit, which support the AGS. The Committee approves the IA annual audit plan, which classifies audit reviews by assurance area to ensure adequate coverage of risk, governance and control frameworks. It receives a summary of key findings and opinions from individual IA reviews supporting the overall opinion. The Committee's terms of reference includes the review of the governance and assurance arrangements for	**4**

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
		significant partnerships or collaborations. The Committee also receives an annual report on the Council's Significant Partnerships Register.	
Contributing to the development of an effective control environment.	Actively monitoring the implementation of recommendations from auditors. Encouraging ownership of the internal control framework by appropriate managers. Raising significant concerns over controls with appropriate senior managers.	Regular IA Progress Reports are presented to the Committee. These include performance indicators relating to the percentage of recommendations implemented and commentary re outstanding 'must' level recommendations. Senior officers attend the Committee meetings on request to update on the progress of actions from key reports as and provide explanations and updates on progress to address significant audit concerns. The Committee reviews the summary of Management Accountability Framework (MAF) red priority areas of concern. The Committee is also authorised by the Council to investigate any activity within its terms of reference and to seek any information it requires from any employee, including those of partner organisations, and all employees are directed to co-operate with any request made by the Committee.	**5**
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking. Monitoring improvements. Holding risk owners to account for major/strategic risks.	The Committee receives the annual risk management report, which includes key events and achievements for the previous year and key developments for the next 12 months. The corporate risk register summary identifies risk owners at Director/senior officer level and tracks changes to residual risk scores. Regular reports are presented to Committee setting out the summary corporate risk register and risk management support activity that has taken place during the year. This includes the details of the risk management support provided by Zurich Municipal. The Committee carries out a 'deep dive' review of one or more corporate risks with the relevant risk owner or key contact as part of its work programme during the year.	**5**

Areas where the audit committee can add value by supporting improvement	**Examples of how the audit committee can add value and provide evidence of effectiveness**	**Self-evaluation, examples, areas of strength and weakness**	**Overall assessment: 5 – 1 See key above**
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	Specifying its assurance needs, identifying gaps or overlaps in assurance. Seeking to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit.	There is regular reporting of planned and actual coverage by Internal and External Audit. The Committee challenges opportunities for reliance on IA work by External Auditors and receives Internal and External Audit and Risk Management progress reports. The IA report includes audits in progress and an in-year review of resources and achievement of plan.	**4**
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	Reviewing the internal audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements providing constructive challenge and supporting improvements. Actively supporting the quality assurance and improvement.	The Head of Audit & Assurance has right of access to and regular briefings for the Chair of the Audit & Governance Committee. The Committee receives and approves the IA Charter and annual strategic statement, including reporting and monitoring arrangements, supporting the IA annual plan. The External Auditors Audit Findings Report includes commentary on Internal Audit as part of their assessment of financial control arrangements. The Committee reviews the Internal Audit Quality Assurance Improvement Plan. The annual Head of Audit Opinion Report includes an assessment of IA performance and quality assurance. The Committee approved a Peer review approach for the external assessment of IA compliance with Public Service Internal Audit Standards which was carried out during the year. The overall judgement confirmed that the IA team conformed with the requirements of the PSIAS across all areas of focus.	**5**

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	Reviewing how the governance arrangements support the achievement of sustainable outcomes Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. Reviewing the effectiveness of performance management arrangements.	Work on this area is included in Internal and External Audit plans on a risk assessment basis. IA reviews are classified under one of the three headings in the plan and the annual report. Plans include reviews of key capital and revenue projects. Additional ad hoc work is carried out during the year on request from Directors. Internal audit progress reports include a summary of MAF red priority areas of concern. Performance management is not specifically identified in the Committee Terms of Reference. There are other processes in place within the Council's governance structure, which provide scrutiny and challenge for this area, as part of the Corporate Plan Scorecard monitoring arrangements, to hold Chief Officers and managers to account on a regular basis, such as Management Board and the PAM reporting process as well as Members through PDS, SPT and Executive Board reporting. Internal audit consider performance arrangements as part of any relevant audit and would report on them as part of our progress reporting arrangements. The IA plan also considers specific Key Performance Indicator audits as part of the annual audit planning process.	**4**
Supporting the development of robust arrangements for ensuring value for money.	Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee. Considering how performance in value for money is evaluated as part of the AGS.	Standing Financial Instruction 3, Procurement and the Payment of Creditors, and Corporate Contract & Procurement Procedure Rules are in place as part of the control framework to ensure that value for money is considered in procurement activity. Regular Creditors audits consider on compliance with these requirements. The Committee receives the External Auditor's Audit Findings Report. This includes a section on value for money and an overall conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.	**4**

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	Reviewing arrangements against the standards set out in Code of Practice on managing the Risk of Fraud (CIPFA 2014). Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. Assessing the effectiveness of ethical governance arrangements for both staff and members.	A Counter Fraud Policy and Strategy is in place supported by the Counter Fraud Policy Framework which includes a Fraud Response Plan, Whistleblowing Policy, Anti Money Laundering Policy and Members and Employees' Codes of Conduct. The Internal Audit progress reports include oversight of counter fraud activity and results. The Committee consider and approve the annual fraud risk assessment as part of the External Auditor's enquiries of those charged with governance. The Committee receives the Counter Annual Report as part of the suite of annual reports which is considered prior to approval of the Annual Governance Statement:	**5**
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency. Publishing and annual report from the committee.	Audit & Governance Committee meetings are held in public with minimal Part 2 items. Agendas and reports are published on Council internet website. An Annual Audit Committee report is prepared and considered by full Council. Council Committee agendas, reports and minutes are also available on the internet via the Council website along with Executive Members' and Officer decisions.	**4**

Appendix 4

2022/23 Member Attendance and Committee Work Programme

Three meetings were held during the year. The following Member attendance was recorded:

Councillor/Date	**28 June 2022**	**29 November 2022**	**2 March 2023**
Dave Harling - Chair	✓	✓	✓
Salim Sidat - Deputy Chair	✓	✓	**A**
Neil Slater	✓	✓	A
Jon Baldwin	✓	✓	✓
Sabahat Imtiaz	✓	✓	✓
Katrina Fielding	A	✓	A

✓ = attended meeting **A** = sent apologies

A/S = Apologies received, substitute attended

N/A = Not a Committee Member at the time of the meeting.

Audit & Governance Committee Work Programme 2022/23				
PROGRAMME ACTIVITY:	**TERMS OF REF. NUMBER**	**JUNE**	**NOVEMBER**	**MARCH**
Audit & Governance Committee Work Programme 2022/23				
Governance, Risk and Control				
Annual Statement (AGS)	1,2,4	√		
AGS Progress Report	1,2,4,6		√	
Risk Management Annual Report	4,5,6,7	√		
Annual Counter Fraud Report	7,8,9	√		
Annual Internal Audit Opinion Report	1,2,4,7	√		
External Audit Annual Report incl VFM Arrangements	3	√		
MAF Update	1,4,5,6	√		
New CIPFA Guidance on Audit Committee	1	√		
Risk Management Update	4,5,6		√	√
IA Progress & Outcomes Report	1,4,5,6,7,8	√	√	√

PROGRAMME ACTIVITY:	TERMS OF REF. NUMBER	JUNE	NOVEMBER	MARCH
Health & Safety Annual Report	4,5,6	√		
Significant Partnerships Register	10			√
Internal Audit				
Annual Plan, Strategic 2-year Plan & Internal Audit Charter	1,2,3,4			√
IA Progress & Outcomes Report	3,4,5,6,7,9,10,11,12	√	√	√
Annual Internal Audit Opinion Report	4,6,7,9,10,11,12	√		
Risk Management Annual Report	8	√		
External Audit				
External Audit Fees and Statutory Accounts Deadlines	1,3,4,5		√	
Outcome from Consultation on Local Audit Framework	5,6	√		
Arrangements for the External Auditor Appointment	1,4,5		√	
Annual Plan	2,3,4,5,6		√	
Progress Report	2,3,5,6	√		√
External Audit Findings Report incl VfM Arrangements	2,3,4,5	√		
Treasury Management				
Strategy Report and mid-Year Review	1,2,4		√	√
Progress Report	1,2,3,4	√	√	√
Annual Report	1,2,3,4	√		
Accountability Arrangements				
Committee Annual Report	1,2,3	√		
New CIPFA Guidance on Audit Committee	1	√		
Committee Effectiveness Self-Assessment	2,3			√

2022/23 Internal Audit Plan Planned vs Actual Days and Overall Assurance Opinions

Audit Assignment	CLASSIFICATION	Priority	22/23 Plan Days	Actual Days	Assurance Opinion	
					Control	Compliance
CCTV Provision (Deferred to 2023/24)	Control	2	10	1		
Reablement Service (Deferred to 2023/24)	Control	3	10	1		
Transitional Arrangements : Children to Adult Care (deferred to 2023/24)	Control	2	5	0		
Protocol ICS System	Control	2	10	17	Adequate	Adequate
Commissioning Panel Arrangements - Identification and collection of Health contributions (deferred to 2023/24)	Control	2	10	0		
Children's Centres	Control	3	10	11	Adequate	Adequate
Audits of Schools Finance systems:	Control	3	12	11		
- Lower Darwen Primary School	Control	3	6	17	Limited	Limited
- Longshaw Infants School	Control	3	6	12	Adequate	Adequate
- Audley Infants School	Control	3	6	12	Adequate	Adequate
- St Edwards RC Primary School	Control	3	6	12	Limited	Adequate
- Lammack Primary School (Deferred to 2023/24)	Control	3	6	1		
- St Gabriel's CE Primary School	Control	3	6	11	Adequate	Adequate
- St James' CE Primary School (Lower Darwen) (WIP 2022/23)	Control	3	6	10		
- St Michael and St John CE Primary School	Control	3	6	10	Adequate	Adequate
Contract Monitoring (PH Contracts commissioned via CAPS) (WIP 2022/23)	Control	2	10	9		
Adult Weight Management Services Grant (addirtional to plan)	Control	1	2	2	N/A	N/A
Implementation of MIAA Audit Findings (Deferred to 2023/24)	Control	2	10	2		
Software licencing	Control	2	10	12	Limited	Adequate
Performance Indicators/Data Quality (WIP 2022/23)	Control	3	10	14		
Asset Management System (Deferred to 2023/24)	Control	2	10	2		
Local Transport Capital Funding/LTP Grant Certification Requirement	Control	1	5	6	N/A	N/A
Bus Subsidy Grant	Control	1	5	6	N/A	N/A
Protect & Vaccinate (Additional to plan)	Control	3	0	5	Substantial	Substantial
Fleet Procurement	Control	3	10	12	Adequate	Adequate
Property Services - Services to Schools (WIP 2022/23)	Control	3	10	3		
Property Services - Use of Design Consultants (WIP 2022/23)	Control	3	10	3		
Museums Collections Recording System (Deferred to 2023/24)	Control	3	10	1		
Payroll - Core system	Control	1	15	18	Adequate	Adequate
iTrent Implementation	Control	1	5	26	Adequate	Limited
Service to schools (Deferred to 2023/24)	Control	2	10	2		
RIPA processes (WIP 2022/23)	Control	2	10	18		
Members Allowances and Induction	Control	3	10	12	Adequate	Adequate
Legal Case Management	Control	3	10	11	Adequate	Adequate
Budgetary Setting and Control	Control	1	10	10	Substantial	Adequate
Main Accounting System - including account reconciliation's Control and suspense account reconciliation processes	Control	1	6	14	N/A	N/A
Reconciliations - Quarter 2	Control	1	1.5	1	N/A	N/A
Reconciliations - Quarter 3 (WIP 2022/23)	Control	1	1.5	2		
Reconciliations - Quarter 4	Control	1	1.5	0		
Council Tax (WIP 2022/23)	Control	2	15	9		
Council Tax Rebate - Support with energy costs	Control	2	10	8	Adequate	Adequate
NNDR	Control	2	15	16	Substantial	Substantial
Housing Benefits	Control	2	15	19	Substantial	Substantial
Capital Programme/Budget - Monitoring and Reporting (Deferred to 2023/24)	Control	2	10	0		
Treasury/Cash flow management/Major loss incurred regarding investment and/or borrowing. (Deferred to 2023/24)	Control	3	10	0		
Civica Asset management module	Control	3	10	0		
Disposal of land	Control	3	5	6	Adequate	N/A
Use/management, monitoring and reporting of Covid 19 Grant Funding received	Control	1	15	7	N/A	N/A
Follow up of Actions re East Z East Lease (WIP 2021/22)	Control	1	2	5	N/A	N/A
Asset Management System (WIP 2021/22)	Control	2	2	6	Adequate	Limited
Retail Hospitality & Leisure & SBR Grant (WIP 2021/22)	Control	1	2	4	Adequate	Adequate
Off Payroll Engagement (IR35) (WIP 2021/22)	Control	2	2	2	Adequate	Adequate
Legal Counsel - Appointing and paying (WIP 2021/22)	Control	2	0.5	1	Adequate	Adequate
HR Contract Procurement and Management (WIP 2021/22)	Control	3	2	4	Adequate	Adequate
Planning Enforcement - GP51 (WIP 2021/22)	Control	3	2	10	Adequate	Adequate
Governance Arrangements - HR45 (WIP 2021/22)	Control	2	1	4	Substantial	Adequate
COVID 19 Grant Funding - Protect and Vaccinate (WIP 2021/22)	Control	2	1	4	N/A	N/A
Safeguarding the most vulnerable	Control	2	10	0		
Adults Contracts and Commissioning incl Private Care Home Contract Payments (2022/23 WIP)	Control	2	15	2		
Total 2022/23 Control Assignments (57)			**442**	**424**	**35 (59)**	
Audit Assignment	**CLASSIFICATION**	**Priority**	**22/23 Days**	**Actual Days**	**Assurance Opinion**	
					Control	**Compliance**
Transitional Arrangements : Children to Adult Care (Deferred to 2023/24)	Risk	2	5	0		
Client case management systems including Access Controls	Risk	2	10	12	Substantial	Substantial
Local Authority Improvement Plan (WIP 2022/23)	Risk	1	10	9		
Inspection Readiness (WIP 2022/23)	Risk	1	10	7		
Universal Drug Grant Certification (additional to plan)	Risk	1	2	2	N/A	N/A
Covid Test & Trace Certification (additional to plan)	Risk	1	0	5	N/A	N/A
Failure to prevent data loss (Information Governance)/ Compliance with GDPR (Deferred to 2023/24)	Risk	2	10	0		
Business Continuity/Disaster Recovery	Risk	2	10	11	Adequate	Limited
Digital Customer Portal. (Deferred to 2023/24)	Risk	2	10	1		
Environment Strategy/ Climate Change Strategy//Carbon Management (Deferred to 2023/24)	Risk	2	10	1		

Failure to adequately inspect and maintain highways. Deterioration of the highways network in particular road surfaces. Failure to repair highways defects and street lighting faults on time	Risk	2	10	10	Adequate	Adequate
Poor standard of privately run Homes of Muliple Occupancy (WIP 2022/23)	Risk	2	15	17		
Fleet Management	Risk	3	10	13	Adequate	Adequate
Fuel Discrepancy and Finance Recharges (additional to plan)	Risk	1	3	5	N/A	N/A
Health & Safety - Failure to comply with H&S legislation & Council standards (Deferred to 2023/24)	Risk	2	10	1		
Information Sharing Protocols (Deferred to 2023/24)	Risk	2	10	1		
New CIPFA Financial Mgmt Code and VFM Assessments	Risk	2	10	10	Substantial	Adequate
Budget Setting (WIP 2021/22)	Risk	1	8	11	Substantial	Substantial
Highways Inspection - Walls and Structures (WIP 2021/22)	Risk	2	7	10	Adequate	Adequate
Section 17 Payments - CE04 (WIP 2021/22)	Risk	3	2	13	Adequate	Adequate
Demand for specialist placements	Risk	2	10	0		
Safeguarding/Safeguarding Board (Deferred to 2023/24)	Risk	2	10	0		
Failure to meet the requirements of the Children & Families Act in relation to SEND	Risk	2	10	0		
Total 2022/23 Risk Assignments (22)			**192**	**139**	**11 (23)**	
Audit Assignment	**CLASSIFICATION**	**Priority**	**22/23 Days**	**Actual Days**	**Assurance Opinion**	
					Control	**Compliance**
Children's Disabled Facilities Grant (DFG)	Governance	3	10	12	Adequate	Adequate
Fostering	Governance	2	10	26	Adequate	Adequate
Internal Public Health Spend/Social Determinants of Health Fund - Governance (Deferred to 2023/24)	Governance	2	10	0		
Town Fund (Darwen £25m plus BwD and others) and Other Grant Funding Projects (Deferred to 2023/24)	Governance	2	10	2		
Sports England Grant - Penine Lancashire (WIP 2021/22)	Governance	1	3	20	Substantial	Substantial
Corporate Governance, Ethical Framework (WIP 2021/22)	Governance	2	5.5	12	Adequate	Limited
Total 2022/23 Governance Assignments (6)			**48.5**	**72**	**4 (6)**	
Audit Assignment	**CLASSIFICATION**	**Priority**	**22/23 Days**	**Actual Days**	**Assurance Opinion**	
					Control	**Compliance**
Failure to mobilise 0-19 Healthy Child Programme Services	Consultancy	A	4	2		
Value for money audit	Consultancy	A*	20	25	Substantial	Substantial
Total 2022/23 Consultancy Assignments (2)			**24**	**27**	**1 (2)**	
Grand Total			**706.5**	**662**		
Audit Assignment	**CLASSIFICATION**	**Priority**	**22/23 Days**	**Actual Days**	**Assurance Opinion**	
					Control	**Compliance**
Other Audit Work						
Review of Financial Regulations, SFIs, etc	Governance	2	3	5		
Follow up work	Governance	1	10	5		
Audit Committee	Governance	1	10	15		
Liaison with external audit	Other	1	2	2		
Audit Committee Annual Report/Evaluation	Governance	1	4	3		
HoIA Annual Report	Governance	1	4	3		
A & A Client liaison/Queries	Other	2	10	13		
A & A Client liaison/DMT attendance	Other	2	2	1		
A & A Client liaison/Project Groups	Other	2	4	8		
Contingency (allocated to addional to plan reveiws)		2	0	0		
Total Other (11)			**49**	**55**	**0 (11)**	
	CLASSIFICATION	**Priority**	**22/23 Days**	**Actual Days**	**Assurance Opinion**	
					Control	**Compliance**
Other Fraud Work						
National Fraud Initiative (NFI)	Control	1	10	18		
Review of Counter Fraud Strategy	Control	1	3	3		
Counter Fraud Annual Plan/Report	Control	1	3	2		
Proactive Fraud Testing	Governance	2	10	0		
Reactive investigations	Governance	2	15	20		
Review/Monitor Fraud Risk Register	Control	2	4	0		
Fraud awareness and whistle blowing initiatives	Control	2	2	0		
Total Internal Audit & Counter Fraud (7)			**47**	**43**	**0 (7)**	
	CLASSIFICATION	**Priority**	**22/23 Days**	**Actual Days**	**Assurance Opinion**	
					Control	**Compliance**
Other Risk and Governance Work						
Annual Gov Statement	Governance	1	10	13		
MAF and MAF Challenges	Governance	1	10	20		
Risk Management Support	Risk	1	5	6		
Road Risk Mgmt Group	Risk	1	4	1		
Review/Monitor Corporate Risks	Risk	1	5	2		
Review Monitor Departmental Risks	Risk	1	8	10		
Business Continuity Champions Meetings	Risk	1	2	2		
Risk Annual Plan/Report	Governance	2	4	3		
Total Risk and Governance Work (8)			**48**	**57**	**0 (8)**	
Total Time Spent			**850.5**	**817**		