

# Auditor's Annual Report on Blackburn with Darwen Borough Council

2021/22 and 2022/23

March 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the [type of body] has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the [type of body]'s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Executive summary



## Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 2020/21 was the first year that we reported our findings in this way. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the Council's arrangements for 2021/22 and 2022/23 due to the timing of the audit work and it being more efficient to produce one report covering both years. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2021/22 Auditor Judgment	2022/23 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified, but improvement recommendation made	↔
Governance	No risks of significant weakness identified	Significant weakness identified in relation to difficulties encountered as part of the audit of the Council's financial statements with regard to land and buildings valuations for financial reporting purposes. We have concluded that the Council did not have satisfactory arrangements in place to prepare timely financial statements that are free from material error for 2021/22 and 2022/23. We have raised one key recommendation in relation to this issue.	Significant weakness identified.	↓
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendations made	No significant weaknesses in arrangements identified, but improvement recommendations made	↔

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

# Executive summary

## Financial sustainability



The Council is operating in an increasingly uncertain financial environment. Blackburn with Darwen, as with all local authorities, will need to continue to plan with little certainty over funding in the medium term. 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 review of expenditure to avoid overspends and setting achievable saving efficiencies.

## Governance



Significant weakness identified in relation to difficulties encountered as part of the audit of the Council's financial statements with regards to PPE land and buildings valuations.

The 2021/22 audit has been on-going since December 2022, however, there have been significant delays due to a number of issues associated with the Council's valuation of its land and buildings. The accounts were initially received in September 2022, when the valuation of the Council's land and buildings had been undertaken by its own internal valuer. Based on issues identified in previous years we engaged Montagu Evans as our valuation expert.

Whilst our auditor valuation expert made challenges regarding the yields used for EUV valuations, a more serious concern was raised about whether the internal valuations had been prepared on the basis of a proper understanding of Depreciated Replacement Cost (DRC) valuations. As a result of these concerns the Council engaged a new external valuer to review all DRC asset valuations, initially focusing on 2022/23 and then working back to determine 2021/22 DRC valuations. This process has taken a considerable amount of time. Our auditor's expert reviewed a sample of the valuations performed by the new valuer and identified some concerns with the new valuations. The Council's external valuer initially concluded that the carrying value of assets measured at DRC as at 31/3/22 was understated by £19.2m. Upon further challenge from ourselves and our auditor expert, it was agreed that the external valuer had included certain costs which were not in accordance with the CIPFA Code of Practice on Local Authority Accounting 2021/22. As a result of this further challenge the overall valuation of the assets measured at DRC was reduced by £8m, leaving an overall net increase in DRC asset carrying amounts at 31/3/22 of £11.2m.

We have concluded that the Council did not have satisfactory arrangements in place to prepare timely financial statements that are free from material error for 2021/22 and 2022/23.

Our other governance work has not identified any significant weaknesses, however, we have identified improvement opportunities to enhance the summary Corporate Risk Register to provide alignment with the strategic objectives/corporate plan and to remind staff of their obligations regarding declaration of interests, gifts and hospitality and the ownership/maintenance of departmental registers.

## Improving economy, efficiency and effectiveness



Our work has not identified any significant weaknesses in this area, however, we have raised improvement recommendations relating to enhancing the Corporate Performance report to provide an indicator/measure of assurance on the quality of the data, and to review and update the data quality policy. An improvement recommendation is also raised relating to contract procedures in respect of enhanced review and scrutiny of waivers.



2021/22

We have substantially completed our audit of the 2021/22 financial statements and will issue our Audit Findings Report summarising our findings to the Audit and Governance Committee on the 18 March 2024.



# Use of auditor's powers

We bring the following matters to your attention:

	2021/22	2022/23
<b>Statutory recommendations</b> Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly	We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.	We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.
<b>Public Interest Report</b> Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue a public interest report.	We did not issue a public interest report.
<b>Application to the Court</b> Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not make an application to the Court.	We did not make an application to the Court.
<b>Advisory notice</b> Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: <ul style="list-style-type: none"><li>• is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,</li><li>• is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or</li><li>• is about to enter an item of account, the entry of which is unlawful.</li></ul>	We did not issue any advisory notices.	We did not issue any advisory notices.
<b>Judicial review</b> Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not make an application for judicial review.	We did not make an application for judicial review.



# Securing economy, efficiency and effectiveness in the Council's use of resources

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

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

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

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



## Financial sustainability

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



## Governance

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



## Improving economy, efficiency and effectiveness

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

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit and Governance Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 35.

# Financial sustainability



## We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## 2021/22 Outturn

The 2021/22 Revenue Outturn Report was taken to the Executive Board on 14th July 2022. This report summarised the overall revenue financial position of the Council for the year ended 31st March 2022. Revenue expenditure was originally budgeted at £119.949m, however, actual revenue expenditure in relation to controllable budgets was increased in year by £1.709m to £121.605m. Actual revenue expenditure for the year was £121.658m, an overspend of £53k.

General Fund unallocated reserves were £7.718m at 31st March 2022, compared to £8.373m at 31st March 2021. There were several transfers both to and from unallocated reserves that were approved during the year. Earmarked reserves were £56.420m at 31st March 2022 compared with a balance of £47.665m at 31st March 2021, with a further £12.763m of other reserves held mainly in relation to schools.

## 2022/23 Budget Proposal

The General Fund Revenue Budget 2022/23 and Draft Financial Strategy 2022/25 were approved at Finance Council on 28th February 2022. The Council's budget was balanced for 2022/23.

The Council's Taxbase for 2022/23 was agreed at 35,439.30. The referendum threshold for Council Tax set by the Government, remained at 2.0% for 2022/23. In view of this, Council Tax was increased by 1.99% in 2022/23.

## 2022/23 Outturn

The 2022/23 Revenue Outturn Report was taken to the Executive Board on 6th July 2023.

Revenue expenditure was originally budgeted at £130.938m, however, actual revenue expenditure in relation to controllable budgets was increased in year by £3.332m to £134.270m. Actual (currently subject to audit) revenue expenditure for the year was £136.702m, this is an overspend of £2.432m. This overspend was originally forecast to be £4.473m as at 31st December 2022.

General Fund unallocated reserves were £6.941m at 31st March 2023, compared to £7.718m at 31st March 2022. There were several transfers both to and from unallocated reserves that were approved during the year.

Earmarked Reserves held for discretionary use by the Council at 31st March 2023 were £55.469 m compared with a balance of £56.420m as at 31st March 2022.

## 2023/24 Budget Proposal

The General Fund Revenue Budget 2023/24 and update to the Financial Strategy 2022/25 were approved at Finance Council on 27th February 2023. The Council's budget is balanced for 2023/24.

The Council's Taxbase for 2023/24 for the purposes of Council Tax calculations has been agreed at 36,282.84. Councils have additional flexibility in setting Council Tax, with the Government increasing the referendum limit for increases in Council Tax to 3% per year from April 2023. Therefore, the Council have increased Council tax by 2.99% for 2023/24.

Business rates income for 2022/23 and 2023/24 have been budgeted at £42.460m and £44.991m respectively. The Council will retain 49% from the net collectable Business Rates generated in the Borough, the remaining balance is shared between the Lancashire Fire Authority and the Government.

The Council has reported an overspend in 2021/22 and 2022/23 and have relied on the use of reserves to fund additional expenditure in year. The Council's reserves position in the short term to medium term is healthy, however, the Council should continue monitor expenditure closely to ensure larger overspends are not reported in future years.

The Council have presented a balanced budget for both financial years. Assumptions around Council tax and Business Rate growth are based on reasonable analysis.

# Financial sustainability

## Financial Pressures

The assumptions included within the budgets around income streams are reasonable. The Council include a table which summarises the funding expected over the course of the financial year and details any expected changes to these streams. The budget proposals factor in several cost pressures that the Council expects to face in the financial year, significant pressures identified for 2022/23 were as follows:

- Increasing costs and rising demand to the provision of domiciliary care and the cost of individual care packages. The portfolio is beginning to see an increase in referrals and care package costs reverting back to the Council to fund which will increase cost pressures in 2022/23.
- For 2022/23, the Local Government Pay Award provision has been made within the budget for a pay award of 2.00%. As in previous years, the proposed budget for 2022/23 also assumes that the cost of any incremental progression in pay will be absorbed within the individual Portfolio budgets.
- The Bank of England expect inflation to peak at around 6% in April 2022 but to fall back in the second half of 2022. Within the 2022/23 budget and Medium Term Financial Plan, a provision has been made for inflation on specific areas of expenditure such as utilities, waste and for larger contracts where there are known pressures.

Significant pressures identified for 2023/24 were as follows:

- The financial position of the Children's, Young People and Education Service has seen a significant deterioration during 2022/23 when compared to the budget position for the previous year. During 2022/23, the budget for Commissioned Placements was overspent by £2.499m. This is due mainly to the increase in the number of children subject to an Out of Borough placement. There are also overspends in other service areas, therefore, the proposed budget for 2023/24 includes an additional investment of £3.5m to address these issues.
- For 2023/24, the Local Government Pay Award provision has been made within the budget for a pay award of 5.00%. As in previous years, the proposed budget for 2023/24 also assumes that the cost of any incremental progression in pay will be absorbed within the individual Portfolio budgets.

- Utilities were subject of significant pressure during the 2022/23 financial year. The volatility of prices means that estimates indicate the cost of the Council's utilities will continue to rise significantly in 2023/24. As a result of this, the Council's budget for 2023/24 includes an additional provision of £3.0m for utility costs, increasing the budget for the year to £7.0m.

The financial plans produced by the Council adequately reflect the expected cost pressures in the financial year, and plans are put in place to mitigate potential overspends.

## Medium Term Financial Plan

The Council's Medium Term Financial Plan (MTFP) is reviewed alongside the Council's budget monitoring processes each year and presented within the Financial Strategy approved at Finance Council each year. The MTFP covers a three year period and is regularly amended to reflect any known or potential pressures. From our review of the MTFP, there is no indication that the Council intend to relieve any short-term revenue pressures through use of capital resources within the General Revenue Budget.

During the budget setting process for 2022/23, although a balanced budget was presented, there was an estimated funding gap in 2023/24 of £3m rising to £6m in 2024/25.

The Council have a Budget Support Reserve of £5m which was established in 2021/22. This Reserve will be used to smooth the impact of budget reduction measures over the life of the Medium Term Financial Plan. In 2022/23, an amount of £1.120m was used to support the budget.

An addendum to the Financial Strategy was taken to Finance Council on 27th February 2023 alongside the 2023/24 General Revenue Budget. This confirms that in 2023/24, an amount of £2.688m will be used from the Budget Support Reserve to support the 2023/24 budget (of which £700k relates to the write down of provisions in 2022/23 and £570k relates to a technical delay of savings in 2023/24). The funding gap initially identified for 2023/24 is no longer present, however, the anticipated finding gaps for 2024/25 and 2025/26 are £6.405m and £12.249m respectively.



# Financial sustainability

## Medium Term Financial Plan (continued)

The purpose of the Financial Strategy is to provide a broad framework by which the Council can implement measures to deal with the gaps identified. The Strategy is based around the following themes:

- Growing the Council's income through increasing the Borough's taxable capacity
- Raising income so it is possible to continue providing services that residents value
- Saving costs by reviewing how the Council delivers services
- Stop spending on lower or non-priority areas.

## Savings and efficiencies

The Council set a balanced budget for 2021/22, this did not include a significant savings programme. Budget efficiencies were proposed within the 2022/23 General Revenue Budget, which were as follows:

Adults and Prevention – £750k  
Children, Young People and Education – £320k  
Environment and Operations – £205k  
Digital and Customer Services – £100k  
Finance and Governance – £690k

The Council agreed a savings target of £2.065m for 2022/23. The Revenue Outturn Report for 2022/23 taken to the Executive Board in July 2023 confirms that the Council achieved £1.799m by year end, leaving an adverse variance of £266k.

The budget efficiencies proposed within the 2023/24 General Revenue Budget, are as follows:

Adults and Social Care and Health – £1,446k  
Children, Young People and Education – £367k  
Public Health, Prevention and Wellbeing – £207k  
Environment and Operations – £447k  
Growth and Development – £150k

Digital and Customer Services – £112k  
Finance and Governance – £987k

The savings target for 2023/24 is £3.716m.

Progress made against savings targets are monitored and reported to the Executive Board on a quarterly basis within the Revenue Budget Monitoring reports. The quarter 2 2023/24 Revenue Budget Monitoring report confirms that the forecast savings outturn is £3.046m.

By 31st March 2023, the Council achieved 87% of their savings target, and they have forecasted to achieve 96% of their 2023/24 savings target.

The Council underwent an LGA Corporate Peer Challenge in July 2023. The peer challenge involves a team of experienced officers and members who spend time with another Council as 'peers' to provide challenge and share learning. Participating councils receive a comprehensive report and recommendations from the peer team and then identify their own action plan to respond.

A key recommendation was raised on Financial Management. It was recommended that the Council should maintain focus on the delivery of the required savings and ensure council wide understanding and ownership of the on-going financial challenges and associated savings requirements. The LGA review also recommended the Council develop clear, realistic delivery plans for 2024/2025 and future years savings with regular monitoring reports focusing on the delivery of those savings to both the leadership team and Executive Board.

The Council provided a response through the Action Plan created. The Council confirmed that further work is required to develop detailed proposals and related delivery plans so that the Council can set a balanced budget for 2024/25 and over the medium term, including reviewing and updating the MTFP. The work to do this started in Autumn 2023 in line with the budget setting process, when it is considered necessary to do so, proposals will be brought forward for consideration by the Executive Board, Council and with public consultation as appropriate.

In future budget proposals, the Council should ensure that the budget efficiencies set are realistic and achievable, the Council should continue close monitoring of the delivery of budget efficiencies to ensure that they can deliver the budget.

# Financial sustainability

## Budget setting process

The budget setting process is multilayered and thorough, with several stages. The budget setting process starts in June each year and includes leadership meetings with Directors to identify cost pressures from within their portfolios. The budget strategy is contributed to by every Director and their associated departments. Plans are discussed with the Leadership team including members and are signed off at Finance Council in February each year. The process ensures that plans are not created in silo, any conflicting or competing elements are addressed early prior to budget sign off.

Where it is appropriate to do so, there is internal and external engagement on matters that ultimately feed into the development of the Council's financial plans.

The Council's Executive Board receive detailed quarterly budget monitoring reports on both the General Fund Revenue Budget and the Capital Programme. These reports include both the proposed changes to the budget and the forecast outturn. The detailed quarterly budget monitoring reports include information on related service activity and detailed analysis of variations including relevant explanations for service financial performance.

There are good systems in place for oversight of the budget. The Finance Department engages with budget holders to assist in budget setting. As part of its normal budget monitoring procedures, Finance teams undertake regular assessments of the forecast outturn position to inform the normal financial planning processes. This will include various iterations of the outturn forecast based on an understanding of likely activities.

## Alignment of the Corporate Plan and the Financial Plan

The Blackburn with Darwen Corporate Plan 2023 – 2027 succeeds the 2019 – 2023 plan. The Council's Corporate Plan set out the priorities of the Council as follows:

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

In the new Corporate Plan, there is a clear link between the Council's corporate planning process, priorities and the Council's financial strategy. The Council does not differentiate between statutory and discretionary areas of spend, financial planning focuses on achieving the best outcomes for the Council against its strategic priorities. The Council recognises the importance of delivering what are considered to be statutory services and doing so is in the context of the Corporate Plan, however, the delivery of some discretionary services is crucial to sustaining the delivery of statutory services.

## Conclusion

In conclusion, we have not identified any significant weaknesses in arrangements to ensure the Council manages risk to its financial sustainability. Reserves balances are healthy, and the General Fund Reserve balance is sufficient enough to help protect against short term volatility. However, we have made improvement recommendations for some arrangements in place that can be enhanced.

# Improvement recommendations



## Financial sustainability

**Recommendation 1** Going forward the Council should ensure that the budget efficiencies set are realistic and achievable.

**Audit year** 2022/23

**Why/impact** The Council should ensure that the budget efficiencies set are realistic and achievable, the Council should continue close monitoring of the delivery of budget efficiencies to ensure that they can deliver the budget.

**Auditor judgement** Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

**Summary findings** By 31st March 2023, the Council achieved 87% of their savings target, and they have forecasted to achieve 96% of their 2023/24 savings target. The Council underwent an LGA Corporate Peer Challenge in July 2023 and a key recommendation was raised on Financial Management. Going forward the Council should maintain focus on the delivery of the required savings and ensure council wide understanding and ownership of the on-going financial challenges and associated savings requirements. Develop clear, realistic delivery plans for 2024/2025 and future years savings with regular monitoring reports focusing on the delivery of those savings to both the leadership team and Executive Board.

**Management Comments** The Council has in place a Financial Strategy that underpins the delivery of the Corporate Strategy whilst ensuring the Council can fulfil its statutory obligation of having a balanced budget annually. There is effective medium term financial planning but in the context of a funding regime that offers only 1-year funding settlements, certainty of funding inhibits the Council's ability to plan effectively the delivery of Council services. Nevertheless, using the key themes of the Financial Strategy - Grow, Charge, Save, Stop - and the continuing work on the strategic workstreams combined with the development of a budget skewing model, further efforts will be made to develop realistic and achievable savings over the medium term period.



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

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# Governance

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## LGA Peer Challenge – July 2023

Blackburn with Darwen Council was subject to a corporate peer challenge (CPC) in July 2023 which is recommended by the LGA, and expected by government, to be undertaken every five years. CPC is a trusted method of improvement and provides councils with a robust and effective improvement tool. The CPC feedback report and action plan was reported to Council in October 2023, however, it is noted that some of the findings and associated actions will be relevant to the period of review in this report.

The peer team considered the following five themes which form the core components of all Corporate Peer Challenges.

- Local priorities and outcomes
- Organisational and place leadership
- Governance and culture
- Financial planning and management
- Capacity for improvement

**Progress continues on advancing the action plan and the LGA's Peer team will visit the Council in March 2024 to conduct a progress review. In July 2024, the Council will publish a Progress Review report.**

Where possible we have cross referenced to any applicable findings where there is a recommendation and agreed action plan already in place, to avoid duplication.

# Governance



## We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

## Risk Management and Internal Controls

The Council had robust Risk management arrangements in place for 2021/22 and 2022/23 that is adequately documented and supported by oversight from the Audit and Governance Committee.

The revised Risk Management Policy Statement and supporting Risk Management Strategy and Framework 2021-2026 was presented to the Executive Member for Finance & Governance for approval in February 2022.

Quarterly risk management updates were provided to the Audit and Governance Committee throughout 2021/22 and 2022/23 which include a narrative report and the summary Corporate Risk Register.

The Corporate Risk Register contained 21 open risks as at 31 March 2023 and the Council's top corporate risks at that date were those relating to the following:

- Failure to deliver a balanced budget and Medium-Term Financial Strategy, which may result in a Government Commission taking control of the Council's finances;
- A high profile serious or critical safeguarding case that is known to the Council services, in light of Covid-19 working arrangements;
- Cyber security failures leading to financial, data loss or disruption to services from compromise of the IT network or systems;
- Insufficient budget for service delivery if MTFS income targets from the Growth Agenda are not met;
- 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
- The risk to the delivery of public services as a result of ongoing industrial unrest and strike action in the NHS and other key partners and sectors.

The Annual Risk Management report for 2022/23 was presented to the Audit & Governance Committee in July 2023 and updated the Committee on a number of improvements made within the year as follows:

- 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.



# Governance



## We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

## Risk Management and Internal Controls (Cont'd)

- 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.

The summary Corporate Risk Register includes the following:

- Risk Description, Date Raised, Strength of Existing Controls, Risk Rating for Inherent/Residual/Target Risk, Risk Owner, Key contact, Risk Status, Last review date, Previous Residual Risk Rating and Change in score.

The LGA Peer Challenge report issued in July 2023, identified an opportunity to develop the Corporate Risk Register shared with the Audit and Governance Committee into a more comprehensive document which captures risks, impact, likelihood, mitigation actions and timeline for actions. We fully support this finding and in addition recommend that this includes alignment to the achievement of strategic objectives/Corporate plan priorities.

## Financial Reporting

As part of our audit of the 2021/22 financial statements we encountered a number of problems with regards to the valuation of the Council's land and buildings, causing delays to the audit. The audit commenced in December 2022, when the valuation of the Council's land and buildings had been undertaken by its own internal valuer. Based on issues identified in previous years we engaged Montagu Evans as an auditor valuation expert.

In March 2023 our valuations expert reviewed a sample of the valuations performed by the Council's internal valuation team and serious concerns were raised in relation to both "Existing Use Value" (EUV) and "Depreciated Replacement Cost" (DRC) valuations. Challenges were made regarding the yields used for EUV valuations, but a more serious concern was raised about whether valuations had been prepared on the basis of a proper understanding of Depreciated Replacement Cost (DRC) valuations. As a result of these concerns the Council engaged a new external valuer to review all assets measured at DRC, initially focusing on 2022/23 and then working back to determine 2021/22 DRC valuations. This process took a considerable amount of time and was subsequently reviewed by our auditor valuation expert, with concerns being raised in relation to the new valuations. The Council's external valuer initially concluded that the carrying value of all assets measured at DRC as at 31/3/22 was understated by £19.2m. Upon further challenge from ourselves and our auditors expert, it was agreed that the external valuer had included certain costs which were not in accordance with the CIPFA Code of Practice on Local Authority Accounting 2021/22. As a result of this further challenge the overall valuation of the assets measured at DRC was reduced by £8m, leaving an overall net increase in DRC asset carrying amounts at 31/3/22 of £11.2m.

# Governance



## We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Given the difficulties that have been encountered with regards to the land and buildings valuations we have concluded that the Council did not have satisfactory arrangements in place to prepare timely financial statements that are free from material error for 2021/22 and 2022/23, and this is a significant weakness. We have raised one key recommendation in relation to this issue.

## Internal Audit

The Council had appropriate arrangements in place for 2021/22 and 2022/23 with Internal Audit provided by an in-house team.

The Audit and Governance Committee received regular updates throughout both years on progress against the Internal Audit plan.

### 2021/22

The Audit & Assurance Plan was approved by the Audit Committee on 30<sup>th</sup> March 2021. The Plan included 758 days for internal audit assignments and counter fraud work. Internal Audit delivered 646 days (85%) against the approved Audit & Assurance Plan. The shortfall arose due to members of the team being redeployed to support the Council's response to the pandemic at the start of the year and the impact of a vacancy that occurred in the team.

### 2022/23

The Audit & Assurance Plan was approved by the Audit Committee on 29<sup>th</sup> March 2022. The Plan included 803 days for internal audit assignments and counter fraud work. Internal Audit was able to deliver a total of 760 days (95%) against the approved Audit & Assurance Plan. The shortfall 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. All Priority 1 (highest risk level) audits were delivered.

The days achieved against the original and revised Audit & Assurance Plan in both years were considered sufficient to provide an opinion on the effectiveness of risk management, control, and governance.

The Head of Internal Audit's annual assurance opinion provided for 2021/22 and 2022/23 was that adequate assurance can be placed upon the Council's framework of governance, risk management and internal control.

# Governance



## We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

## Counter Fraud

The Council's Counter Fraud Policy Statement and Counter Fraud Strategy 2022/25 were approved in June 2022 and demonstrate the Council's commitment and approach to this area from top down. They also provide a framework to ensure a consistent approach to embedding robust and effective counter fraud arrangements across the Council.

The Audit & Assurance Team have provided regular corporate fraud updates to the Audit & Governance Committee in 2021/22 and 2022/23. In addition, Counter Fraud Annual reports were presented to the Audit & Governance Committee for both years and concluded that Council had effective measures to enable the prevention and detection of fraud and irregularities.

The Council takes part in the National Fraud Initiative which is coordinated by the Audit & Assurance team and monitors the completion of the fraud awareness e-learning package by staff.

The Audit & Assurance team also monitor whistleblowing calls and emails received by the Council and undertake investigations into reports of potential or suspected fraud, non-compliance with financial policies and procedures or financial irregularities.

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.

# Governance



## We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

## Decision Making

The council has a leader and executive model of governance in place, and the leader of the opposition sits on the Executive Board.

The Constitution sets out the overall framework for decision-making. It includes delegations to various committees, Executive Members and officers, and scrutiny arrangements for holding decision makers to account. The Constitution was updated in July 2022 to reflect the resolutions/decisions made at Full Council since October 2021. This included changes in organisational structure and agreed, statutory changes and changes to the delegations.

In July 2022, the Council reviewed the overview and scrutiny committee (O&S) arrangements in view of the significant changes in health and social care and the enhanced focus on children's services improvement following the OFSTED report in January 2022 which concluded that the service "Requires Improvement".

The People O & S was replaced with two separate scrutiny committees, namely Health and Social Care O & S, and Children, Young People and Education O & S. There are also two additional committees, Place O & S and Policy and Corporate Resources O & S.

We note that the Constitution was revised again more recently in July 2023.

The Executive is responsible for most policy and operational decisions. The Leader appoints members to the Executive Board and determines the allocation of portfolios to Executive Members.

A Forward Plan of Key Decisions is maintained and reports for Key Decisions are subject to scrutiny by the Corporate Leadership Team and, where appropriate, relevant Executive Member before being considered by the Executive Board.

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.

The Council has continued to use the Mod.Gov system throughout 2021/22 and 2022/23 to ensure that reports are subject to robust scrutiny by the relevant statutory officers and an audit trail is maintained.

Enquiries made of the Monitoring Officer during this review identified that there were no concerns with the provision of information to decision makers for the period of review and the decision making process complies with the constitution

The Council has a Statutory Governance Officers Group which assists in promoting good governance and decision making across the Council via reviews of key processes and compliance, including ensuring there is appropriate information, training and development for Council officers and members

Key findings/observations from the LGA Peer challenge in this area were that following the review of Overview & Scrutiny arrangements the Council should:

- Undertake further work to enhance and embed a culture of effective overview and scrutiny across the council and work with members and officers to build a better understanding of the role and function of overview and scrutiny, its purpose and effectiveness.
- Consider the officer resource required to support effective overview and scrutiny at the Council.

# Governance



## We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

## Decision Making

Key findings/observations from the LGA Peer challenge in this area were that following the review of Overview & Scrutiny arrangements the council should:

- Undertake further work to enhance and embed a culture of effective overview and scrutiny across the Council and there is an opportunity to work with members and officers to build a better understanding of the role and function of overview and scrutiny, its purpose and effectiveness. This should include work with opposition members to address some feedback, picked up by the peer team, that it can sometimes be difficult to influence agendas and the future work programmes for some committees.
- Consider the officer resource required to support effective overview and scrutiny at the Council.
- The Council has agreed actions to continue to enhance and embed the culture of effective scrutiny with appropriate support including creating a Corporate Parenting Panel, the launch of a new induction programme and improving the wider training and support plan for chairs and all members of the Overview & Scrutiny Committees. Progress will be reviewed during the LGA Peer follow up review in March 2024.

We support the findings of the peer review and therefore no additional recommendations are made.

## Leadership

The Peer review challenge concluded that the Council demonstrates strong, visible and well respected political and managerial leadership. The peer team found that senior leaders have a clear understanding of Blackburn with Darwen as a place, its opportunities and challenges. During 2022/23 there were a number of changes to the senior leadership team as follows:

- New Strategic directors for Children/Education and for Adults and Health.
- New Director of Public Health.
- New post of Director of Health and Care Integration. A joint appointment between the council and Integrated Care Board, was appointed in summer 2022.



# Governance



## We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

## Tone from the Top / Culture

Our enquiries of the Monitoring Officer in respect of the period of review confirmed that the member/officer relationship is good and no issues identified for the period of review. Work is currently ongoing in respect of Member/Officer Protocol and awareness. This is supported by the findings of the Corporate Peer challenge which concluded that:

- The Council demonstrates strong, visible and well respected political and managerial leadership and senior leaders have a clear understanding of Blackburn with Darwen as a place, its opportunities and challenges.
- The Corporate Plan outlines a clear vision and associated missions for both the council and wider borough.

## Standards and Behaviours

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 are required 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.

The Employee Code of Conduct is reflected in the Constitution. New employees are required to sign the Employee Code of Conduct as part of their induction. In

addition, each Department maintains a register of gifts and hospitality and of personal interests.

An Internal Audit review undertaken in 2022/23 on Corporate & Departmental Governance Arrangements identified limited compliance with the requirement for departments to ensure that Registers of Personal Interest and Gifts and Hospitality were kept up to date. This will be followed up as part of Internal Audit follow up processes, however staff should be reminded of their obligations and there should be ownership within departments to maintain registers.

The Constitution also contains the Member/Officer Protocol, which sets out the roles and expectations for working together.

The Standards Committee promotes and maintains high standards of Member conduct and monitors the operation of the Code of Conduct which includes arrangements for dealing with member complaints. The Committee also examines the training needs of Members relating to the Code of Conduct and if necessary makes appropriate recommendations.

# Governance



## We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

## Climate Change / Net Zero

The Council declared a Climate Emergency (at the Council Forum on 18th July 2019) and has committed to making Blackburn with Darwen carbon neutral by 2030. In response to this, the Council has established a Climate Emergency Working Group to oversee the delivery of the Climate Change Action plan which is one of the core missions within the Corporate Plan.

More recently, a People's Jury (32 residents from randomly selected households across the borough) was convened to consider what the Council (and others) should do in response to the climate emergency. The People's Jury met between September and December 2022 and drew up 15 recommendations on the themes of communication and education, transport and housing and building in response to the question: 'What do we need to do in our homes, in business and our local area to respond to the climate change crisis?'. The resulting report and recommendations were launched in January at an event for elected members, officers of the Council and stakeholders from the public, private and third sectors. The recommendations were presented to Council Forum in January 2023 with a view to informing the action plan for 2023/24.

## Conclusion

Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes appropriate decisions in the right way in 2021/22 or 2022/23. We have identified an opportunity for the Council to enhance the summary risk register provided to Audit and Governance Committee, by including alignment to strategic objectives / Corporate Plan. In addition, we have made an improvement recommendation to ensure that staff are reminded of their obligation to declare interests and gifts and hospitality and that there is ownership within departments to maintain registers.

# Key recommendations



## Governance

### Recommendation 2

The Council must improve the procedures for valuing its land and building assets to ensure compliance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting. The Council should also put effective quality review processes in place to ensure draft financial statements are in accordance with accounting requirements and free from material error in order to allow for timely publication of audited financial statements.

### Audit year

2021/22 and 2022/23

### Why/impact

Inaccurate land and buildings valuations not prepared in accordance with RICS guidance and aligned with the CIPFA Accounting Code have the potential to lead to the financial statements being materially misstated.

### Auditor judgement

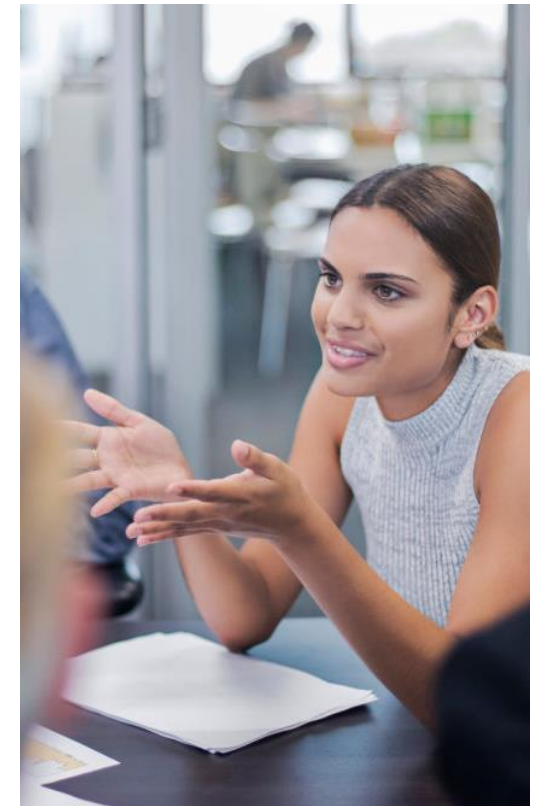
Our work has identified weaknesses in the Council's approach to valuing its land and buildings for financial reporting purposes.

### Summary findings

Issues identified as part of the audit of the 2021/22 financial statements with regards to land and buildings valuations has highlighted weaknesses in the Council's approach to obtaining accurate asset valuations for financial reporting purposes.

### Management Comments

The Council has engaged an External Valuer to provide valuations for land and buildings under a contract that includes a requirement that any such valuations comply with recognised RICS guidance and CIPFA Accounting Code of Practice. The Council's Property Team will remain the Client for the delivery of this Service, providing the quality review process as required.



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

# Improvement recommendations



## Governance

### Recommendation 3

The Corporate Risk Register shared with the Audit and Governance Committee should be developed further to include alignment to strategic objectives/Corporate plan priorities.

### Audit year

2021/22 and 2022/23

### Why/impact

The Corporate Risk register should provide sufficient detail to clearly align and identify significant risks to achieving strategic objectives.

### Auditor judgement

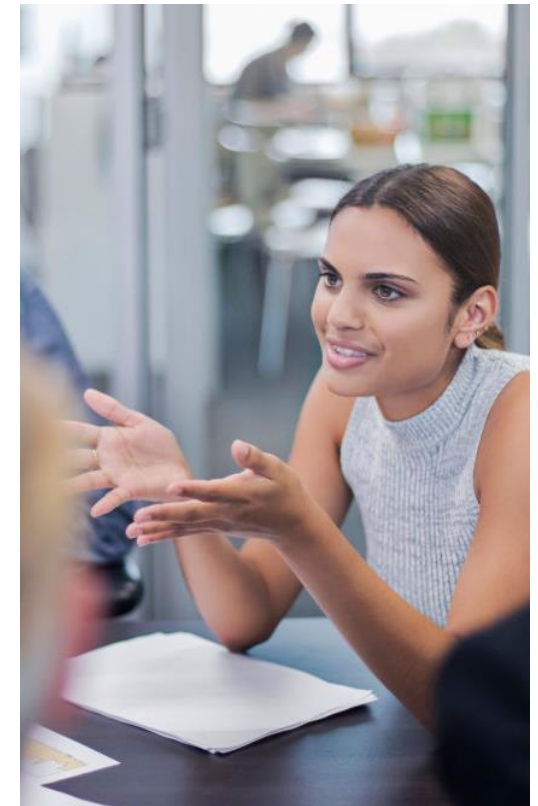
Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

### Summary findings

The LGA Peer Challenge report issued in July 2023, identified an opportunity to develop the Corporate Risk Register shared with the Audit and Governance Committee into a more comprehensive document which captures risks, impact, likelihood, mitigation actions and timeline for actions. We fully support this finding and have also identified that risks are not currently aligned to achievement of strategic objectives/Corporate plan priorities in the summary shared with the committee.

### Management Comments

Whilst the Council's view is that the link between the risks identified in the Corporate Risk Register and the Corporate Plan objective is reasonably intuitive, it is accepted that it is not explicit. As a consequence, a column will be added to the summary of the Corporate Risk Register to indicate clearly the link with the Corporate Plan objectives.



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

# Improvement recommendations



## Governance

### Recommendation 4

The Council should ensure that recommendations made in the Corporate & Departmental Governance review are implemented and staff should be regularly reminded of their obligations with regards to declaring Personal interests and gifts and hospitality, with clear ownership within departments to maintain registers.

### Audit year

2022/23

### Why/impact

The requirement to register interests and gifts and hospitality is mandated within the Employee Code of Conduct.

### Auditor judgement

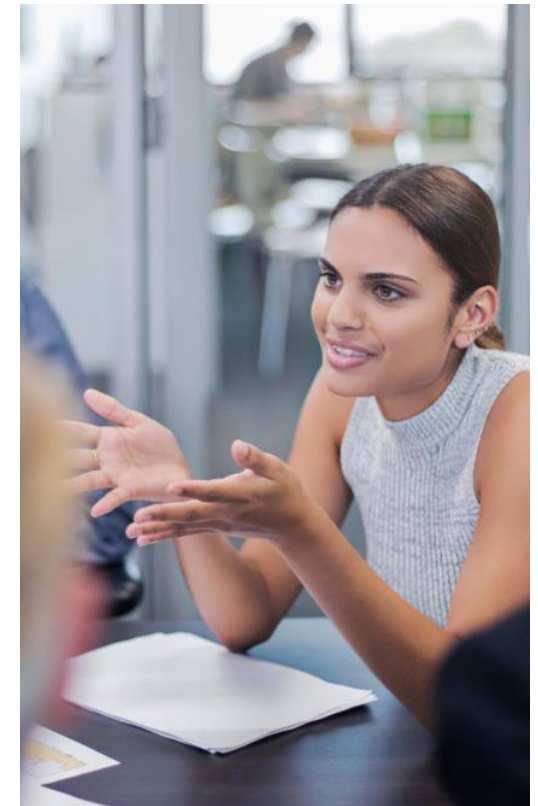
Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

### Summary findings

An Internal Audit review undertaken in 2022/23 on Corporate & Departmental Governance Arrangements identified limited compliance with the requirement for departments to ensure that Registers of Personal Interest and Gifts and Hospitality were kept up to date. This will be followed up as part of Internal Audit follow up processes, however staff should be reminded of their obligations and there should be ownership within departments to maintain registers.

### Management Comments

Staff are reminded at least annually of their obligations to register interests, gifts and hospitality and the Council has undertaken significant work in 2023/24 to digitise this process so that it is as simple as possible for any such interests to be declared. However, consideration will be given to the frequency of reminders to staff to ensure compliance.



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



# Improving economy, efficiency and effectiveness

## Benchmarking

Benchmarking is an effective tool that enables an organisation to compare and analyse its performance with others. It can provide a basis for collaboration and identify areas for improvement.

The Council has used both the Financial resilience index (produced by CIPFA) and comparison of RA Form data (which informs CIPFA stats) to assess Council's overall cost competitiveness and Financial Resilience.

The Council also assesses its performance against other similar sized councils or against national averages which highlight specific areas for improvement or reassurance that performance is either better or in line with expectations. The Council uses benchmarking opportunities across a number of its services e.g. data on Children's services such as:

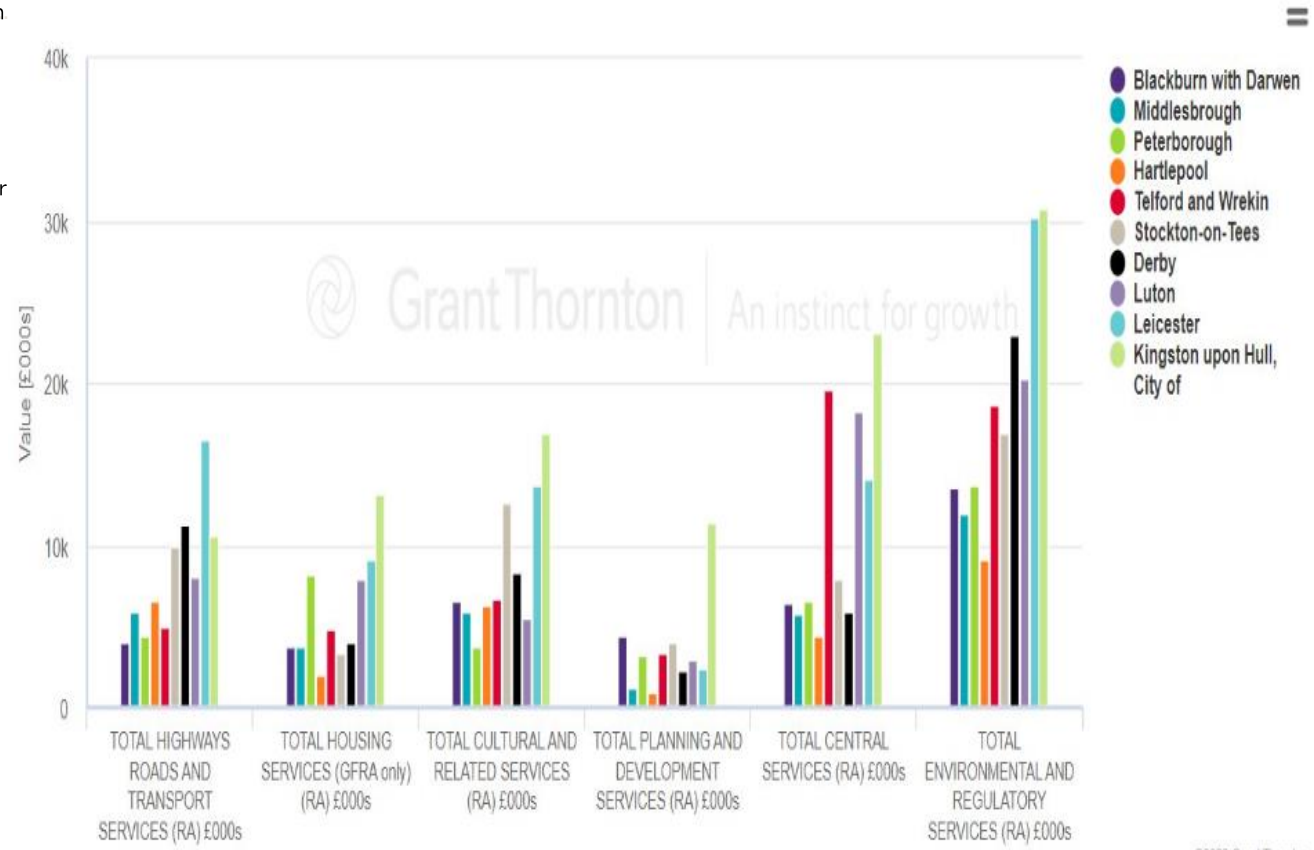
- No of contacts received by the Council,
- No of child protection plans in place
- No of looked after children per 10,000 population.

These are benchmarked through the North West Association of Directors of Children's Services (ADCS) where the Council's information is compared to other North West Council's as well as national averages.

The Council is also a member of SIGOMA (Special Interest Group of Municipal Authorities) which is one of the largest interest groups within the LGA (Local Government Association).

We undertook benchmarking for 2022/23 using our management tool 'CFO Insights' which compared the unit costs for a range of services to identify if any unit costs were very high in comparison to other district councils. As detailed in the adjacent chart, the Council ranked higher than some of its neighbouring authorities for "Planning and Development" and "Cultural & related services" however there were no significant concerns raised.

In addition, higher unit costs are reported for "Education, Adult Social Care and Public Health. It is recognised that there are significant pressures on all Councils with regards to Adult and Childrens Social Care particularly, and we note that Public Health is included as a core mission area within the Corporate plan. We are satisfied that the Council has appropriate arrangements in place to compare and analyse its performance and have not identified any areas of significant weakness in this area, however an improvement recommendation is made within the "Improving Economy, Efficiency and Effectiveness" section (pg26) regarding review of the quality of the data used for Children's services, highlighted in the LGA Peer review.



# Improving economy, efficiency and effectiveness



## We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

## Performance Management

We reported in our 2020/21 annual report that the Council had appropriate performance monitoring arrangements in place. This has continued throughout 2021/22 and 2022/23. Half year progress against the corporate plan priorities is reported to Policy Council in December for consideration, this includes a review of performance for the previous 12 months and a forward look to the next 12 months. Exception reports are provided which note remedial action to improve delivery for any indicators which are off track /giving cause for concern. Key areas of concern relating to the achievement of departmental or Corporate Plan priorities, or business plan objectives are reported to Corporate Leadership Team and Audit & Governance Committee as part of the Internal Audit Progress Report on a six-monthly basis.

The Council's performance against its strategic priorities in the Corporate Plan was reported to the Policy Council in December 2021 and December 2022 and year end results were reported to the Executive Board in June 2022 and August 2023.

Review of the 2021/2022 annual performance report identified that, of 70 indicators

- 8% ( 6 actual) forecast as “red” where performance is, or likely to be off track
- 26% (18 actual) forecast “amber” where delivery is on track and currently being managed
- 56% (39 actual) forecast “green” or on track
- 10% (7 actual) of the measures were data and or a RAG rating was currently unavailable.

The 6 indicators identified as “red “ were:

- Number of individuals engaged in activity across the Our Community Our Future Programme
- Number of community groups engaged in activity across the Our Community, Our Future Programme
- Number of digital library loans
- Number of people supported into employment or learning
- Undisputed and valid supplier invoices paid within 30 days
- Reduction in employee absence through sickness

Review of the 2022/23 annual performance report identified that, of 69 indicators

- 3% ( 2 actual) forecast as “red” where performance is, or likely to be off track
- 12% ( 8 actual) forecast “amber” where delivery is on track and currently being managed
- 78% (54 actual) forecast “green” or on track
- 7%(5 actual) of the measures were data and or a RAG rating was currently unavailable.

The 2 indicators identified as “red “ were

- Number of people supported into employment or learning
- Reduction in employee absence through sickness.

# Improving economy, efficiency and effectiveness



## We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

## Performance Management

From review of the exception reports appended to the performance report, appropriate measures are in place to monitor and mitigate shortfalls where possible. Sickness absence remains a key focus for the Council in terms of cost, impact on service delivery and creating additional workload for those who remain in work. The rate of sickness absence remains high in both years however the Council has developed a proactive, focussed approach by working closely with managers to establish preventative measures to reduce sickness.

The LGA Peer Challenge report recognised that the Council was in the process of revising and finalising a suite of key performance measures aligned to the Corporate Plan (2023-2027) and recommended that this work should be finalised at pace to enable the Council to report quarterly on progress and achievements against the new Corporate Plan to staff, residents, partners and stakeholders.

For 2023/2024 the Council has revised its suite of key performance measures to ensure alignment with the Corporate Plan (2023-2027). A soft-launch of collecting data for Quarter 1 was undertaken, with formal reporting continuing from Quarter 2 onwards to Executive Board and Policy Council.

The following issue was raised in the Childrens services OFSTED report Jan 2022 with regards to the quality of data.

"inaccurate data about care leavers, as a result of electronic recording systems not being kept up to date, is providing false assurance about key performance indicators".

It is noted that actions were included as part of the Childrens Improvement plan to :

- Deliver training to improve the recording and monitoring of accommodation for care leavers over 21
- Prioritise the development of a specialised performance management analyst for reporting and analysis of performance. The Council has a data quality policy however this is dated 2019 and should therefore be reviewed and updated for continued relevance. We have made an improvement recommendation to this effect.

The Council has a data quality policy however this is dated 2019. We understand that this was in the process of being updated at the time of our review.

From review of the Internal Audit strategic Plan it was identified that an audit of Performance Indicators / Data Quality is not scheduled until 2024/25.

As reporting on the new performance measures aligned to the Corporate plan 2023-2027 becomes embedded, it is key that assurance over the quality of the data underpinning the measures can be provided. Where issues are identified from external or internal reviews /audits, there should be a mechanism to prioritise deep-dives in these areas and/or undertake a rolling review of key performance measures, and feed outcomes into the performance report.

We have raised improvement recommendations for the Council to consider developing the format of the Performance report further, to provide an indicator/measure of assurance regarding the quality of the data underpinning the performance measures and to review and update the data quality policy accordingly.

# Improving economy, efficiency and effectiveness



## We considered how the Council :

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

## Childrens Services

Demand for adult and children's social care remains an ongoing pressure across all authorities. The children's services Ofsted judgement changed from 'good' to 'requires improvement' in February 2022 highlighting key concerns in relation to:

- Multi-agency planning and strategy discussions
- Accuracy of data and assurance
- Pathway and support for care leavers up to the age of 24.

An improvement plan is in place and is being delivered through an Improvement board with an independent chair.

A Joint Targeted Area Inspection published in July 2023 shows positive progress is being made with more work still to do and highlights that recent changes in the senior leadership team have been a catalyst for improvements made to date.

The LGA Peer Challenge review also highlighted the rising demand in both Children's and Adult Social Care and the challenges that this presents and made a recommendation that the Council needs to maintain focus on these core services and the ongoing improvements in children's social care following the Ofsted judgement.

## Childrens Services (Cont'd)

The work already underway detailed within the action plan is summarised below:

- Completing and implementing the next steps following a review of Safeguarding Adults and Safeguarding Children Boards to develop and reinstate BwD arrangements
- Implementing changes to the staffing structure following a review of Adults Safeguarding Practice in the context of CQC Inspection
- Developing Provider Services Improvement Plans
- Developing Strategic Commissioning Plans
- Complying with increasing and evolving statutory returns, including new performance reporting requirements
- Working on Place-based Integration and workforce transformation with health colleagues
- Continuation of a dedicated resource from the Service Design Team in both Adults and Children's areas working with the operational departments and with the users to co-design services and processes
- Maintaining sharing of data with corporate and political leadership – providing a better narrative of the demand for Children's and Adult Social Care.

We concur with the recommendations made within the Peer Challenge review that the Council will need to prioritise and focus on improvements in this area and therefore this should be an area for follow up in future VFM work.

# Improving economy, efficiency and effectiveness



## We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

## Significant Partnerships

As reported in 2020/2021, the Council collaborates with a number of partnerships across Lancashire. Examples of significant partnerships are:

- Blackburn with Darwen Place Based Partnership

This is part of the Lancashire and South Cumbria Integrated Care Partnership (ICP) structure and includes the NHS, voluntary, community, faith and social enterprise (VCFSE) organisations and the wider community taking collective responsibility for providing better joined up care and support for residents and delivering the ambitions of the ICP.

- Pennine Lancashire Community Safety Partnership

This Partnership covers Blackburn with Darwen, Burnley, Rossendale and Hyndburn and works together to reduce crime and disorder. There is representation from the Council, Lancashire police, health, the probation service and Lancashire fire and rescue.

The Council is also working with Sport England, as the accountable body for Pennine Lancashire's Local Delivery Pilot 'Together an Active Future'. This involves the six Local Authority areas working together to test different approaches to understand better why people are less active in Blackburn with Darwen than nationally and to work with partners to explore ways to make being active easier.

These partnerships and their governance arrangements are captured through the annual and mid-year Significant Partnerships Register reviews. The reviews are undertaken by Chief Officers and a final report is submitted to Audit & Governance Committee along with a copy of the Register

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.

An example of the work of significant partnerships being reviewed is the report to Health and Adult Social Care Scrutiny in August 2023 which provided:

- an overview of the NHS Lancashire and South Cumbria Integrated Care Board (ICB) and NHS Lancashire and South Cumbria Integrated Care Partnership (ICP)
- an update with regards to the work of the Blackburn with Darwen place-based partnership
- an overview of the aim of the ICB in relation to delegating authority to Lancashire and South Cumbria Places (which includes Blackburn with Darwen) and progress to date.

The report describes a number of immediate priorities and workstreams (Knowing our people, Delivering life course improvements, Delivering integrated services, Developing our partnership) that have been identified through discussions with all partners and the considerations given to priorities outlined by the Health and Wellbeing Board in their Joint Local Health and Wellbeing Strategy, and by the ICP in the Integrated Care Strategy and the ICB in the Joint Forward Plan.



# Improving economy, efficiency and effectiveness



## We considered how the Council

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

## Significant Partnerships (Cont'd)

Although not a significant partnership, an example of successful Partnership working across 2021/22 & 2022/23, is the development of the BWD Oral Health Improvement (OHI) Partnership Strategy 2021-2026. The Borough's OHI strategy was developed in partnership with other committed organisations and Council departments in 2020, following the Borough being identified as having the highest rate of tooth decay in five year olds in England for the second time in a decade.

The strategy was approved in December 2021 by the Council's Executive Board, Health & Wellbeing Board and the Children's Partnership Board.

An update report was produced for partners in March 23 on the progress made against 15 recommendations in the strategy and new priorities for 2023/24. Headlines from the report are that in the 2022 data released in March 2023, the borough was reporting a significantly reduced rate of Decayed, Missing, Filled Teeth (DMFT) in five year olds, at 40% (reduced from 51%) and now ranks the 5<sup>th</sup> highest in England.

A summary of what has worked well highlights a number of initiatives such as "Supervised Tooth Brushing" in nurseries and The GULP (Giving Up Loving Pop) Programme. In addition a new Lancashire & South Cumbria Oral Health Improvement (OHI) group was formed in 2022 following a long gap, since the previous Dental Public Health Consultant retired in 2021. This need was instigated by the Public Health Team in the Council as it was felt that there was a gap in support for teams working on OHI across the Lancashire and South Cumbria ICB footprint.

The OHI strategy group is chaired by the Deputy Leader of the Council and Executive Member for Children and Education and includes membership from across the spectrum ensuring leadership and governance is assured

## Stakeholder Engagement

The Council engages and consults with key stakeholders, where appropriate, to determine local priorities for resources or opportunities for savings. An example of this is the adoption of the new corporate plan in December 2022. This was developed following a programme of comprehensive engagement with residents, staff, councillors and partners.

Engagement activity included sessions with young people, engagement with foster carers, vox pops in Blackburn and Darwen town centres, as well as activity facilitated by adult learning and Age UK. Staff were engaged through the organisational development programme.

The residents' survey ran over a period of four weeks from May to June 2022 utilising both a self-completion survey promoted via social media, in Council buildings, local media and a demographically weighted interviewer-led survey.

# Improving economy, efficiency and effectiveness



## We considered how the Council

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

## Procurement & Contract Monitoring

The Council has a Procurement Strategy (2022-2025) approved by the Executive Board in March 2022, which sets out the Council's approach to procurement activity. Contract Procurement Procedure Rules and use of the Chest tendering system ensure significant contracts are procured compliantly and transparency is demonstrated.

### Contract Waivers

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.

The Audit and Governance Committee received a report on the volume of waivers for 2022/23 at its June 23 meeting. The narrative of the report summarised that 89 waivers were approved in 2022/23. This was stated as being higher than previous years which were typically around about 60 per year. The rationale for this was given as potentially being due to the new automated process being easier to use and track than the previous version so departments were more willing to use the process. It was also stated that it may 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.

The Council recognised in this report that there was a risk that a culture of waivers being the easy option emerging and the Head of Legal and Procurement was to highlight to Extended Leadership the importance of the competitive process and advice on how to avoid the need for waivers in the future.

The report states that 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. The total value of waivers for the year was £12.01m

# Improving economy, efficiency and effectiveness



## We considered how the Council

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

## Procurement & Contract Monitoring

An appendix was presented with the report with extracts from charts and graphs provided, however on the themes and messaging were difficult to correlate to the narrative, to provide effective scrutiny, as some of the detail was not captured.

Key themes were however summarised within the narrative as follows:

- 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.
- On a number of occasions 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 that they are ready to proceed when confirmation is received.
- Agency staffing has been the subject of a number of waivers with the contract with Reed not able to meet demand. The Procurement team will review this and look to procure an alternative.

At the time of the report, it was noted that there were 15 waivers for 2023/24 which was a slight reduction for the same period in 2022/23, We have not identified any further reporting to A & G Committee since July 2023.

The Council should continue to closely monitor the use of Waivers and consider more frequent reporting to Audit & Governance Committee with clearer presentation of the analysis of reasons for waiver etc, to enable better oversight and scrutiny of the data. We have raised an improvement recommendation to this effect

## Conclusion

Overall, we are satisfied that the Council has adequate arrangements for improving the way the Council delivers its services and delivering efficiencies and improving outcomes for service users in 2021/2022 and 2022/2023. We found no evidence of any significant weakness, however, we have raised improvement recommendations relating to enhancing the Corporate Performance report to provide an indicator/measure of assurance on the quality of the data, and to review and update the data quality policy. An improvement recommendation is also raised relating to contract procedures in respect of enhanced review and scrutiny of waivers.

# Improvement recommendations



Improving economy, efficiency and effectiveness

**Recommendation 5** The Council should consider developing the format of the Corporate Performance report further, to provide an indicator/measure of assurance regarding the quality of the data underpinning the performance measures. A mechanism should be in place to prioritise deep-dives in these areas and/or undertake a rolling review of key performance measures, to feed outcomes into the performance report.

**Audit year** 2021/22 and 2022/23

**Why/impact** Assurance over the data quality underpinning Corporate Performance measures/indicators is key to enabling robust overview and scrutiny to ensure informed decision making and provide a mechanism to identify early warning signs/risks.

**Auditor judgement** Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

**Summary findings** Performance measures have recently been revised to align with the new Corporate plan however the current performance report does not provide an indicator regarding the quality of the data underpinning these measures.

Where issues are identified from external or internal reviews /audits, e.g. an issue was raised regarding data quality data capture in the Ofsted review of Children’s services, there should be a mechanism to prioritise deep-dives in these areas and/or undertake a rolling review of key performance measures, to feed outcomes into the performance report.

**Management Comments** The Council plans to agree a means of measuring data quality for each of the new KPIs and bringing that to Corporate Assurance Board, and probably scrutiny going forward. On that basis the Council will publish the new Data Quality Policy and once we’ve finalised the KPIs for 2024/25 and define how it can gain assurance on the accuracy of each one. Sitting behind each published KPI the Council will collect the raw data of the calculation and understand how that is derived from whatever system produces it.

Following the ILACS Ofsted Inspection in 2022 significant work has been undertaken across Childrens Services to improve data quality and case recording. New live reporting suites have been developed to provide managers with insight reports, which highlight potential discrepancies in data accuracy. Work is taking place across a range of services, based on priority, including Adult Services to develop automated dashboards which are supporting performance and data quality.



# Improvement recommendations



Improving economy, efficiency and effectiveness

**Recommendation 6** The Data Quality Policy (2019) should be reviewed and updated for continued relevance.

**Audit year** 2021/22 and 2022/23

**Why/impact** It is important that guidance and policies remain accurate and relevant to reflect current operational processes in place and to ensure compliance with expected controls

**Auditor judgement** Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

**Summary findings** The Council has a data quality policy however this is dated 2019 and should therefore be reviewed and updated for continued relevance. We understand that this was being reviewed at the time of the audit.

**Management Comments** The Council is currently reviewing its existing Data Quality Policy with a view to updating this to take into account the numerous performance metrics which are now autogenerated from back-office systems. The revised policy will support the development of a measure of Data Quality for the 2024/25 reporting year. To further support this area the Council is in the final stages of producing a Data Strategy which will drive data quality improvements across all system and data owners. The Council has recently reviewed its scrutiny processes and will make use of Scrutiny Committees and Internal Audit to facilitate reviews into service performance.



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

# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 7

The Council should continue to closely monitor the use of Waivers and consider more frequent reporting to Audit and Governance Committee with clearer presentation of the analysis of reasons for waiver etc, to enable better oversight and scrutiny of the data.

### Audit year

2021/22 and 2022/23

### Why/impact

The use of waivers should be kept to a minimum and only utilised in exceptional circumstances to ensure compliance with Contract Procedures. The Council has recognised there a continuing increase may indicate that there is a risk that a culture of waivers being the easy option may be emerging and has taken steps to mitigate this, however this should be closely monitored.

### Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

### Summary findings

The Audit Committee received a report on the volume of waivers for 2022/23 at its June 23 meeting. The narrative of the report summarised that 89 waivers were approved in 2022/23 which is an increasing trajectory from previous years.

### Management Comments

The Council recognises that the use of waivers to Contract Procedure Rules should be the exception and not the norm and has introduced reports to the Audit and Governance Committee so that it can provide effective oversight of this area. A report on Waivers will be submitted to each meeting.



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



# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
1	Introduce a formal and more frequent review (at least mid-year) of in year MTFP assumptions with appropriate reporting to Members. Refine formal reporting to Members on sensitivity analysis and scenario planning, undertaken on key assumptions and estimates, as part of the development of the annual budget and MTFP.	Improvement	July 2023	The Council approved a Financial Strategy at its meeting on 28th February 2022. This included details of the Medium Term Financial Plan 2022/25. A subsequent update of the Medium Term Financial Plan 2023/26, and the assumptions on which it is built, has been reported to the Executive Board in June 2022. A further update was provided in October 2022 and at Finance Council in February 2023.	Yes	None
2	The Council should continue to monitor the level of its reserves to ensure it remains satisfied that they are at an appropriate level.	Improvement	July 2023	The Council maintains its reserves under regular review. The management of reserves is undertaken in compliance with CIPFA guidance on Local Authority Reserves. Annually, as required by regulations, the Director of Finance (as s151 Officer) undertakes a review of the adequacy of reserves and balances. The outcome of this review is report to the meeting of Council as part of the Statement on the Robust of Estimates and Adequacy of Reserves. This is so that Councillors can consider this review in the context of the budget being set. Details of the reserves are report to the Executive Board on a quarterly basis as part of the Corporate Budget Monitoring report. A further review of reserves is undertaken as part of the process of closing the Council's accounts and producing the Statement of Accounts. This is to ensure that the reserves remain adequate in the context of decision taken in setting the budget.	Yes	None
3	Provide a clear distinction between mandatory and discretionary spending in the budgetary information to members and ensure it is published on the website.	Improvement	July 2023	The Council are concerned with obtaining value for money from all activities necessary to achieve its corporate objectives. This will include both mandatory and discretionary activities. In this respect, a simple analysis of mandatory and discretionary spending is not considered that useful. Details of the Council's budgets, by Portfolio and by cost centre within each Portfolio, has been produced and this has been published in the form of a Budget Book on the Council's website.	Yes	None

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
4	The Council should identify efficiency initiatives that are at a relatively detailed level to help bridge the budget gap.	Improvement	July 2023	The Council's ability to deliver 95% of efficiency savings demonstrates success in helping bridge the budget gap.	Yes	No
5	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.	Improvement	July 2023	The review of MRP was conducted and was reported to the Executive Board in September 2022.	Yes	No
6	Ensure that the anti-fraud and whistleblowing policies are kept updated.	Improvement recommendation	July 2023	The Counter Fraud Policy Statement and Strategy 2022-25 was approved by Executive member for Finance & Governance in June 2022 The Whistleblowing policy statement is on the Council's website and was updated in May 2022	Yes	No

# Opinion on the financial statements for 2021/22



## Audit opinion on the financial statements

We have substantially completed our audit of the financial statements for 2021-22.

## Audit Findings Report

We highlight the key findings from our audit of your financial statements within our Audit Findings Report presented to the Audit and Governance Committee on the 18 March 2024.

## Whole of Government Accounts

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

## Preparation of the accounts

The Council provided the 2021/22 draft accounts on the 29th September 2022.

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

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



# Appendices

# Appendix A – Responsibilities of the Council

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

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

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

The Strategic Director of Finance and Resources is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



# Appendix B – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	Yes	Pg 21
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	Pg 11 Pg 22, 23 Pg 32-34



