

Auditor's Annual Report on Pendle Borough Council

2020-21

June 2022



Contents



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

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



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

Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness.

Criteria	Risk assessment	Conclusion
Financial sustainability	Deficiencies in the control environment	Significant weaknesses in arrangements identified and improvement recommendations made
Governance	Deficiencies in the control environment	Significant weaknesses in arrangements identified and improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made

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

Overall commentary

We have identified significant weaknesses in the Council's financial sustainability and governance arrangements for maintaining an effective internal control environment.

We have not identified any significant weaknesses in improving economy, efficiency and effectiveness and Covid 19.

We have identified a number of improvement recommendations throughout the report to further improve the Councils arrangements to secure value for money.



Financial sustainability

The Council is operating in an increasingly uncertain financial environment. We have identified two weaknesses in arrangements set out on pages 12-13.

Our work has also identified improvement recommendations set out on pages 14-18. Further details can be seen on pages 8-11 of this report.



Governance

Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the Council.

Our work has identified one significant weakness which was due to the loss of key staff in the organisation see page 22.

We have also identified some improvement recommendations in relation to governance arrangements on pages 23-26. Further details can be seen on pages 19-21 of this report.



Improving economy, efficiency and effectiveness

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources.

Our work has not identified any significant weaknesses in arrangements or key recommendations in relation to delivering economy efficiency and effectiveness. However, we have identified improvement recommendations see pages 29-32. Further details can be seen on pages 27-28 of this report.

Opinion on the financial statements

Audit opinion on the financial statements

We gave an unqualified audit report opinion on the financial statements on 9th February 2022.

Audit Findings Report (AFR)

More detailed findings can be found in our AFR, which was published and reported to the Council's Accounts and Audit Committee on 25th January 2022. We have concluded that the other information published with the financial statements, including the Narrative report and Annual Governance Statement, was consistent with our knowledge of the Council and the financial statements we have audited.

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.

We are unable to complete our work in this area as the Council is still awaiting the appropriate guidance and tools from the Department to complete its submissions.

Preparation of the accounts

The Council provided draft accounts in advance of the national deadline.

Issues arising from the accounts:

We identified 3 material errors to the financial statements, however these did not impact the Council's Comprehensive Income and Expenditure Statement or Statement of Financial Position. These related to the Council's Income and Expenditure Statement including £14m of internal recharges, as well as a repayment of a PWLB loan being included in both Accounts Payable and Receivable. As well as this the Council made an upfront pension prepayment which was incorrectly recorded.

A number of other mostly minor post audit disclosure note amendments were also made.

Grant Thornton provides an independent opinion ensuring the accounts are:

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



Use of formal auditor's powers

We bring the following matters to your attention:

Statutory recommendations

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

We did not make any statutory recommendations.

Public interest report

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

We did not issue a public interest report.

Application to the Court

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

We did not apply to the court

Advisory notice

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

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

We did not issue an advisory notice

Judicial review

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

We did not apply for a judicial review.

Statutory and key recommendations



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'.

Our work has identified significant weaknesses in arrangements for maintaining financial sustainability and governance and therefore we have made key recommendations on pages 12,13 and 22.

Appendix C outlines the Use of auditor's statutory powers. These powers include the use of written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Authority to discuss and respond publicly to the report.

Our work has not identified any significant and persuasive weaknesses in arrangements and therefore we have not made any statutory recommendations or had to discharge any other wider powers under the Local Audit and Accountability Act 2014, for the 2020/21 audit year.



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

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

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

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

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

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



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 8 to 34. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Council:

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

Overview of the arrangements to ensure financial sustainability

The Council's financial planning allows it to be in a position to deliver the priorities set by the Council, within its resources. Pendle has historically performed well, with a record of good financial and budgetary management. Covid-19 has had an impact on the Council's finances during 2020/21 with reduced demand for some services and some staff redeployed to support response efforts. Some of the Government's initiatives to respond to the Covid-19 pandemic were supported by additional funding which the Council received in 2020/21.

The 2020/21 budget for committee expenditure was set at £13.945 million and the outturn position for the year was £13.446 million. Thus achieving a surplus of £499,000 and the Council were able to make a contribution to Reserves. The ability of the Council to return a surplus is in part due to the additional funding in relation to Covid grants being received. The Council has included additional funding in Earmarked reserves for spending in future years.

Generally the Council has a good track record of spending within budget. The table below shows that over the years the Council have been achieving a surplus.

	2016/17	2017/18	2018/19	2019/20	2020/21
Approved Budget	11,856	12,335	12,685	12,608	13,945
Actual	11,856	12,235	12,516	12,088	13,446
Deficit/(Surplus)	-	(100)	(169)	(520)	(499)

[Source: Audited Statement of Accounts]

Financial Pressures and building into plans

The Council has an adequate financial planning processes. Annually, the Financial Strategy and Medium Term Financial Plan (MTFP) is updated and reported to Councillors. This reflects the most up to date assessment of the Council's financial position and provides a forward forecast for 3 years. However, given funding for local government is not known beyond 2021/22 this has been based on assumptions.

The Council MTFP factors in council tax increase and business rates income which is dependent on economic development. As well as providing a detailed look on the Councils assumptions over the year. The Council base is expected to grow by 0.75%, no increase has been included for Business Rates which is reasonable given the current outlook.

The Council has no commercial portfolio on which it relies for income but is able to meet the expenditure requirements through, income from fees and charges, government grants, business rates income and council tax precept with a small contribution from reserves when required.

The MTFP shows that the Council have a financial plan in place to 2023/24 which is currently showing a shortfall of £3m in 2023/24 if no action is taken and using contributions from reserves. The Council does have a reserves balance of £13m to take account of these. However if no action is taken these reserves will diminish by 2024/25 and the Council will be put in risk. See the graphs below for further emphasis of this shortfall. See the following page which shows Pendle have the lowest reserves in respect of its counterparts in Lancashire. The continued use of reserves to support spending is not sustainable as these reserves will diminish.

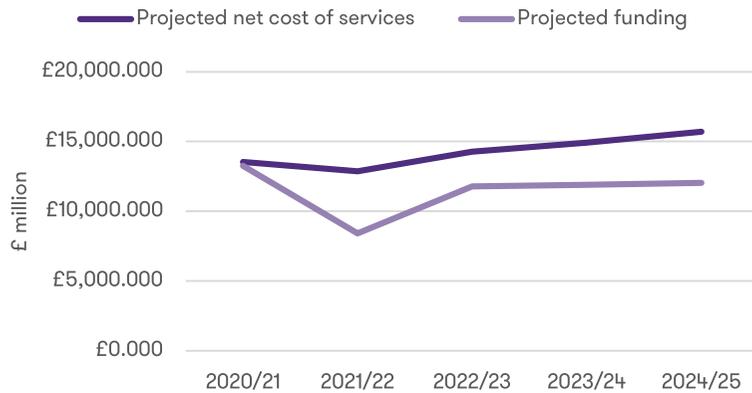
LG futures report shows the Council has suffered a 55% reduction in funding from the Government since 2010. This represents the second largest funding reduction of any Council of any type in England. We have also reviewed the Councils grant income from 2014/15 to the current year. This shows the Council Revenue Support Grant and New Homes Bonus Grant has reduced by almost 40% since 2014/15.

Reduced funding together with the shortfall shown in the MTFP indicates a significant weakness in the Council's arrangements. Therefore we have raised a key recommendation relating to the shortfalls in funding and the impact on reserves if used to try and fund this shortfall in the medium term. (Page 12)

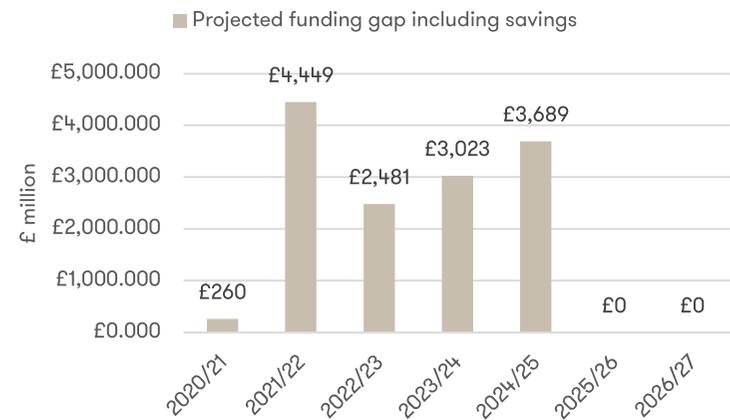
The Council has Financial Regulations in place to provide the overall key control framework which will enable the Council to exercise effective financial management and be able to control its resources and assets. This will support members and staff in the performance of their duties where financial issues are involved. As well as this, the Council has Contract Procedure Rules to ensure there are rules to govern how goods and services are procured to make the most effective and efficient use of resources to deliver best value for the Council and the local community.

Council meetings are open to the public and residents and businesses are able to attend. We have made an improvement recommendation in relation to consultation with residents, businesses and the voluntary sector (page 14).

Medium term costs and funding



Medium term funding gap



Budget Monitoring

Throughout the year detailed budget monitoring is completed on a monthly basis and discussed with budget holders. On a quarterly basis this is reported to the Policy and Resources committee through the strategic Monitoring Report. This report is fairly high level, although the detailed breakdown is held by the Council, this detail was not reported to the Committee in 2020/21. This was due to senior management shortages. We have identified this as a significant weakness in the Governance section of this report and have recommended the council to include detailed monitoring reports to committee members as soon as possible.

From our review of the Council’s financial planning process, it is established and there is evidence of it being well scrutinised at Policy and Resources Committee and at Council. It is clear that financial risks for the Council are being managed in the short term. We have not identified any evidence of the Council making significant use of capital resources to relieve short term revenue pressures.

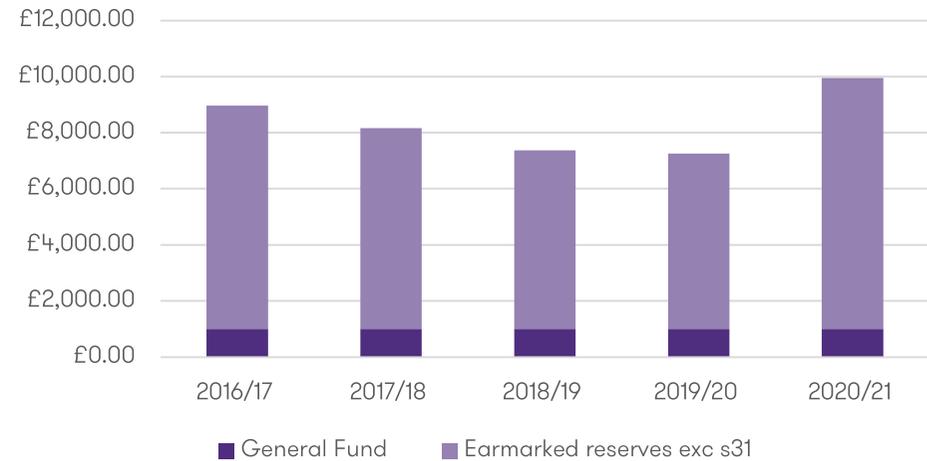
Cash flow forecasting is done at a high level and refined during the detail budget setting process, so by 1 April each year there is a detailed 1 year cash flow forecast for the financial year. This feeds into the Treasury Management Strategy in terms of levels of cash that are available for investing.

The Council has an adequate level of reserves which are reviewed on an annual basis. The Council considers a General Fund position of £1m is appropriate as a minimum level and this is the level of the General Fund. A report is submitted to the Council with the budget to justify the £1m minimum general fund balance. The Council also have £12.4 million in Earmarked reserves, which includes the s31 business rates grants reserve of £3.4 million.

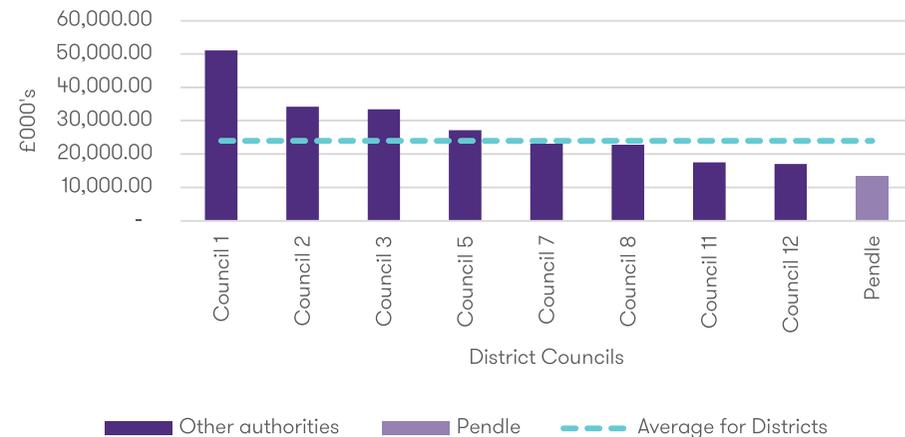
If the Council continues with no savings reserves and using contributions from reserves these will run out by 2024/25. The graph on the previous page, has been completed using the budget forecast to 2024/25 and shows the gap the Council faces between costs and funding, There are also uncertainties regarding the outcome of pending key financial reforms to local government finance which may impact on this.

The following graph shows the movement in reserves over the years, which shows the Council in the current year the has built up the earmarked reserves balances. The final chart shows the ratio of general fund and earmarked reserves to the net service revenue expenditure for 2020/21. The data has been obtained from the draft 2020/21 statement of accounts. This shows that although Pendle were able to increase the earmarked reserves in the current year the reserves are the lowest balances across Lancashire districts. This Council should review these and take action to build up the level of reserves. This has been tied in to the significant recommendation raised on the previous page.

General Fund and Earmarked Reserves



Total general fund and earmarked general fund reserves as at 31 March (£'000s)



Funding gaps and Savings plans

The Council has identified savings as part of the budget setting process and have included these in the budget. Key services have not been stopped although there may be cases where these have been cut, for example street cleansing. The Council three year budget forecast as at February 2021 shows the Council forecast a budget deficit of £517,000 in 2021/22. This included the use of £650,000 of the budget support reserve and no provision for budget growth. Over the following two years the Council has no use of reserves but has budgeted a deficit of £2 million in 2022/23 and 2023/24.

As savings is a key requirement going forward we have raised an improvement recommendation for the Council to regularly report progress against savings to members (page 15).

Financial planning

The Council's Strategic Plan 2020-2023, was refreshed in 2021/22 and clearly sets out the key ambitions the Council has over the year. This sets out the Council's vision and five strategic objectives. These are:

- Working with partners, the community and volunteers to provide services of good value
- Helping to create strong, sustainable economic and housing growth
- Helping to create and sustain resilient communities
- Maintaining a sustainable, resilient and efficient organisation which is Digital by Default
- Delivering our Covid 19 response and recovery whilst working towards rebuilding and rehabilitating our communities.

The Council does not align the budget to any corporate strategy as it can affect a range. As well as this, there is no distinction between the budgets which are needed to deliver the core statutory services and those which are discretionary that the Council has chosen to invest in outside of the statutory provision. As this is good practice, we have included an improvement recommendation (page 17) that the Council make this distinction clearer, as this will allow the public to have a greater understanding of what the Council are doing over and above the core services.

The Council have a range of performance indicators throughout the Council and variances from these indicators are explained. The Council should assess these to determine if a particular sector requires additional funding when allocating the budget. (page 18)

The capital programme supports the Council's strategic objectives. The Council's actual capital spend was £5.5 million in 2020/21, an outturn of 30% against a revised budget of £18.5 million. The remaining slippage of £13 million has been taken into 2021/22. These variances have been documented to members in the capital outturn report. In the main these relate to grant funding received projects where at the current stage the criteria has not yet been met and so expenditure has not yet occurred.

The Council has a Capital and Treasury Management Strategy, which is updated on an annual basis and reflects the linkage between asset management, the capital programme and treasury management activities. This sets out the framework for all aspects of the Council's capital expenditure including planning, management, prioritisation, funding, monitoring and outcomes. We are satisfied the Strategy reflects the linkage between asset management, the capital programme and treasury management activities.

The Council does have an up to date workforce plan in place. This is a live document and updates as and when required. This is fed into the budgets.

As part of our audit work we have noted the Council have had a number of significant changes to key staff in the year. Although these posts have been filled by agency staff the effect on the accounts has been noted. We have therefore raised a key recommendation to ensure staff are recruited and retained. (page 13)

Managing risks to financial resilience

Risks are incorporated into the MTFP and revenue budget and discussions are held with Senior Management Team and Council. There is no evidence of the Council failing to update financial plans to reflect changes in government policy. The Council has incorporated uncertainty into its planning process and budget monitoring reports include an update on key assumptions.

The Council has £13 million of balance in earmarked reserves. These are used to support both the revenue and capital budgets. As mentioned previously these are the lowest in Lancashire and the Council will need to establish robust arrangements in the future to address any variances. This will tie in with the significant recommendation raised in this section.

To ensure the Council is prepared for potential volatility which may adversely impact the budget they should ensure a range of scenario and sensitivity analysis is completed on a regular basis and this should be clearly reported to members on an annual basis. See page 16 for further details of this improvement recommendation.

Conclusion

The Council is well managed however it is under pressure due to reductions in grant funding over the years. As a consequence of this the Council is required to make key savings in the medium term. Without doing so the Council will diminish its reserves by 2024/25 therefore a key recommendation has been raised for this. We have also identified some improvement recommendations for the Council to address.

Key recommendation



Recommendation

We recommend acute attention is given to the Medium Term Financial Plan to address the shortfall identified in future years. In doing so the Council should build up on the level of reserves it has in place and draft a detailed plan to identify and implement savings required, to ensure the Council has adequate funds to be able to support any shortfalls.

Why/impact

Failure to address these issues at an early stage may indicate that the Council is not able to meet its budget as it's current reserves are likely to diminish by 2024/25

Auditor judgement

This identifies issues in terms of the Council's ability to remain financially sustainable.

Summary findings

The Council has suffered a reduction in Government funding for a number of years. As such it has significant savings to make in the medium term. Without making any savings the Council will have a shortfall of reserves in 2024/25 and will not be able to meet its needs.

Management Comments

This is clearly a significant issue for PBC moving forward and has been highlighted in the Council Tax setting report in March 2022. A Transformation programme has been established to look for savings in the short, medium and long term to address the financial risks facing the Council. This is however, not something that is likely to be resolved in the immediate term.

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



Key recommendation



Recommendation

The Council has had numerous finance staff changes through the various levels of the finance team over the last 18 months. The Council needs to ensure staff changes are minimised so controls can operate as expected and required.

Why/impact

Changes in staff and loss of experience has contributed a number of material errors in the financial statements and also a delays in the audit process as a result of the timeliness of Council responses to auditor queries.

Auditor judgement

Staff changes should be minimised to allow controls to operate efficiently.

Summary findings

The Council and in particular the finance team have had a number of key staff changes over the past 18 months. This has included a change in Chief Executive, around 5 changes in s151 officer as well as changes in the Financial Services Manager and Capital Accountant. This has effected the controls in place at the Council which led to a number of material errors to the Financial Statements.

Management Comments

A new permanent S151 Officer started in December 2021 and a Deputy S151 Officer was appointed to start in January 2022. From 1st June all key positions within the Finance function were filled and work is underway to transfer knowledge and skills across to all staff within the service. This will take time but the service is now well placed to support the Council in the future.

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



Improvement recommendation



Financial sustainability

1 Recommendation	We recommend the Council puts arrangements in place to facilitate consultation with residents, businesses and the voluntary sector when reviewing the Council's budget and spending.
Why/impact	Having a consultation process will help the local community understand and support the Council's levels of spending and that they suitably reflect the Council's strategic priorities.
Auditor judgement	Appropriate forms of consultation with stakeholders are a key part of the Council's engagement with the local community.
Summary findings	The Council should look to put in place appropriate forms of consultation and engagement with the local community.
Management comment	The Corporate Plan for 2024 and beyond will be developed over the Summer 2022 and this will include elements of budget consultation with the local community.



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

Improvement recommendation



Financial sustainability

2 Recommendation	We recommend that the Council put in place arrangements to regularly report on savings identified and the progress made towards them separately to members.
Why/impact	The Council has identified savings but these are built into the budgets. Given the continuing financial pressures on the Council, it would be prudent to formalise the savings plan and review progress made with it.
Auditor judgement	Without a formalised savings plan members cannot see where savings have been made and the amount of savings identified.
Summary findings	There is currently no formalised savings plan in place at the Council although savings are identified these are removed from the budget.
Management comment	Savings will be identified by the Transformation programme and reported through that process but the key reports will be the Budget Monitoring reports which will be report through Policy & Resources Committee.



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

Improvement recommendation



Financial sustainability

3 Recommendation Whilst updating the Council's Medium Term Financial Plan (MTFP) on an annual basis the Council should ensure a range of scenario and sensitivity analysis is completed on a regular basis and clearly reported to members on an annual basis. The Council should also report to management any alternative proposals.

Why/impact A scenario and sensitivity analysis will provide members with a visual impact of any changes proposed. They will also be able to view alternative proposals to make a judgemental decision.

Auditor judgement This will also assist the members to make better informed decisions.

Summary findings The Council should undertake sensitivity analysis and scenario planning and report alternative proposals to management.

Management comment The MTFP will be developed and will take account for sensitivity testing across variation factors such as pay inflation, general inflation, cost of borrowing, collection rates.



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

Improvement recommendation



Financial sustainability

4 Recommendation	Provide a clear distinction between discretionary and non-- discretionary spending in the budgetary information to members and ensure it is published on the website.
Why/impact	There is no distinctions on the budgets which are needed to deliver the core statutory services and those which are discretionary that the Council has chosen to invest in outside of the statutory provision. Setting this out clearly would help residents to understand the difference between these types of spending and would help inform them as to any spending which is made as a result of manifesto pledges or following a decision by the Council to undertake a specific project outside or in addition to its statutory obligations.
Auditor judgement	The different categories of spending could be made clearer. Currently it is not apparent whether any of the Council's spending is discretionary.
Summary findings	No distinction is made in the financial information reported to those charged with governance between statutory and discretionary spending.
Management comment	<p>This is not always a clear cut issue as the point at which statutory functions start and discretionary begins is blurred. It does not always aid Officers and Members to look at spend in this way but this analysis is available.</p> <p>A good example of this being Leisure services which is statutory service but the specification is not defined and open to interpretation.</p>



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

Improvement recommendation



Financial sustainability

5 Recommendation The Council's budget should align to wider service improvement priorities. We recommend the Council review the outcomes of performance indicators to align them with service budgets to help determine if a service will benefit from additional budget.

Why/impact This will ensure poor performing areas are developed so they can meet the required performance.

Auditor judgement This will identify if a service can be improved and the additional funds required.

Summary findings Performance indicators are reviewed and details of variances are document. However the Council should consider if additional funds are required to improve performance.

Management comment Performance Reviews take place via Quarterly Performance Clinics to identify poor performance and allow specific targeting of resources where necessary.



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

Governance



We considered how the Council:

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

Monitoring and assessing risk

The Council maintains a Strategic Risk Register which is held on a system called Pentana. This is reviewed on a quarterly basis and reported to the Corporate Governance Working Group (CGWG), management team and Accounts and Audit Committee.

The Council has a risk management strategy which involves identifying, analysing, managing and monitoring risks. The identification of risks is derived from both a 'top down' (corporate) and a 'bottom up' (departmental service) process. Thus ensuring coverage of the whole Council. The process then prioritises the risks resulting in a focus on the key risks and priorities. These risks are managed through the development of appropriate action plans and fed into overall service business plans and the Council's Strategic Plan. Relevant performance indicators (PI's) for each action plan are identified and then monitored through a performance management framework ensuring that the focus remains on achieving the Council's corporate objectives.

The Council is currently having a complete refresh of the risks which we recommend they complete as soon as possible and ensure each risk is relevant and applicable to the Council's strategic plan. Training should also be provided to officers and members to ensure they are aware of the importance of this exercise and understand the risks the Council has. See improvement recommendation on page 23.

The Council reports the high risk risks to the Accounts and Audit Committee as well as the Policy and Resource Committee on a quarterly basis. This is through the Corporate Governance and Risk Management Update Report. This report also gives the Committees an update on the performance against the significant issues identified in the Annual Governance Statement. The Committees also receive the quarterly Strategic Monitoring Report which shows the risk and matches it to one of the Council's key objective.

We have included an improvement recommendation for the Council to improve the reporting made to the Committees. Currently the reporting lists the risks identified, however members should also be party to additional information such as details of the risk owner and the controls in place which will mitigate the risks identified (page 23).

The Council has outsourced the internal audit function to Mersey Internal Audit Agency (MIAA). A full plan is submitted for approval to the Accounts and Audit Committee. All reports go to the Accounts and Audit Committee and the Committee are able to review the reports. The Head of Internal Audit opinion was also presented at the July Accounts and Audit Committee and the Council were awarded substantial assurance.

In 2020/21 MIAA proposed 150 days of internal audit, however due to the pandemic the focus was on the core assurance reviews to support the Annual Opinion. The actual days delivered by Internal Audit was 136. The audit which was postponed to 21/22 was on Democratic Services - Elections and Electoral Registration. All remaining projects had started. 8 were completed in full, 2 were at the draft stage and the fieldwork was completed on the main accounting system. Therefore the Council were able to gain assurance on the system of internal control. The Internal Audit team uses a risk based plan of work to be able to provide assurance to management for the Annual Governance Statement.

The Council would normally complete a review on the effectiveness of Internal Audit and report the findings to the Accounts and Audit Committee. However this year due to the change in staff and internal audit provider this has not been completed. We have raised a recommendation for this control to be re-established and reporting to be completed. (page 24)

The Council has a suite of Anti Fraud, Theft and Corruption Policies including Whistleblowing and gifts and hospitality. These are reviewed regularly, approved by Accounts and Audit Committee and communicated to all staff. The Council is also involved with the National Fraud Initiative. The Council has adequate arrangements in place to prevent and detect fraud and regularly email staff to remind them of the policies on the website.

As part of the accounts process we ask the Monitoring Officer throughout the audit, if they have any knowledge of fraud or suspected fraud. They have confirmed they have no knowledge of any actual, suspected or alleged fraud affecting the entity during 2020/21.

Budgetary Setting process

The budget setting process is multi-layered and thorough, with several stages. This starts with an update of the Council's Medium Term Financial Plan. This is done independently of the development of the Budget. The budget is then developed in conjunction with the service managers and their respective services. Savings are also discussed with the service holder and where agreed these are deducted from the budget. The MTFP and the Budget are brought together to form the agreed Budget and approved by members.

The Budget Working Group is also an integral part of the process and provides challenge throughout the process. The group is involved in the budget setting process and gives guidance to service committees on the review and development of their budgets as part of the budget setting process. They also make recommendations to the Policy and Resources Committee in the setting of the budget. Any recommendations will then be agreed by the Committee and proposed to the Council for approval.

We have included an improved recommendation, in financial sustainability, for the Council to include a risk and sensitivity analysis on the forecasts made, see page 16. This will allow members to gain a better understanding of what is required. As well as this they should also provide alternative scenarios so the members can consider them. This will help members to visualise the impact of key decisions on the budget.

Although the Council meetings are open to the public, the Council should also consider inviting residents and business representatives to be consulted on the budget process. We have identified an improvement recommendation for the Council to improve the consultation process for businesses and also include consultations with residents and the voluntary sector, within the financial sustainability section of this report (page 14)

The Council has an Annual Treasury Management Strategy which is approved by Council. This includes adequate detail for management to consider in relation to both investments and borrowings. The impact of these statements on the accounts including the Capital Financing Requirement is discussed.

Budgetary control

The Council has established systems to provide an oversight of the budget. The Finance Department engages with budget holders to support the establishing of the budgets. Budget holders have access to real time monitoring reports via the Council's finance system.

Budget holders review budget to outturn on a monthly basis and agree any amendments needed. The Council then report this to the Policy and Resource Committee through the Strategic Monitoring Report. However this was only a high level narrative commentary. Due to senior posts being filled with temporary positions and the loss of experience the Council quarterly reporting to members stopped. We have included a key recommendation for this to be reinstated as the key roles in the Council are filled. The capacity of the finance team was also a likely reason for key material errors being identified in the accounts process. (page 13).

To ensure budget holders are accountable for the budget of their sections we have included an improvement recommendation to ensure budget performance is linked to performance reviews. (Page 25)

Once full Council has approved the revenue budget and capital programme for the year, the resources allocated are used for their intended purposes, i.e. the agreed priority areas. It is a continuous process, enabling the Council to review and adjust its budget targets during the financial year to make the most effective use of resources in delivering the Council's policies and objectives. The budgetary control framework in the Financial Regulations also sets out the accountabilities of managers for defined elements of the budget.

Leadership and committee effectiveness/decision making

Appropriate leadership is in place. The Council operates an appropriate structure in respect to decision making and good governance. The Council operates through its various committees, including the Accounts and Audit committee and Policy and Resource committee as well as reporting to the full Council.

The work of the Council's committees is governed by the constitution. The constitution is regularly reviewed and updated. The constitution is shared with all staff members on joining and is openly available on the Council's website. The Annual Governance Statement is linked to the Council's constitution. The Council's Constitution, sets out how the Council operates, how decisions are made and the policies which are followed to ensure these are efficient, transparent and accountable to local people.

Where committees are required to approve a decision, the accompanying information is detailed. Central Management Team meet regularly to discuss policy issues and also consider internal control issues, including risk management, performance management, compliance, efficiency and value for money, and financial management.

For any key projects the Council will engage the public to gain their feedback. For example a website link was provided for residents to include comments on the Nelson Town Deal.

There is a good suite of policies in place, covering anti-fraud and corruption. Due to significant changes in Council staff and also delays with Covid, member training was paused. However we recommend this is re-established and essential training is provided to all Councillors so they can be equipped with the knowledge to challenge officers see page 25.

Monitoring and ensuring appropriate standards

The Annual Governance Statement is compliant with the CIPFA code. The Council's Local Code of Corporate Governance states that it has adopted the CIPFA/SOLACE framework Delivering Good Governance in Local Government. As previously noted the Council's policies and procedures are not always regularly reviewed and updated.

The gifts and hospitality policy is included in the Code of Conduct for Councillors and the Code of Conduct for Members. Each department holds a manual gifts and hospitality register for the team to complete. However we have included an improvement recommendation that the Council ensures this is regularly reviewed by the monitoring officer and the Council is able to evidence this. The Council should also consider maintaining the gifts and hospitality register electronically. (Page 26).

Conclusion

Overall, we found one significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. This relates to reporting of financial information to member. We have also identified a number of opportunities for the Council to improve its governance arrangements, as set out in the following pages.

Key recommendation



Recommendation

The Council should ensure regular and sufficiently detailed budget monitoring is reported to the Committee/Council on a minimum of a quarterly basis. Budget monitoring should also be included in performance reviews for individuals.

Why/impact

It is important that members have timely and detailed budget monitoring information in order to support them in their decision making. Budget holders need to be made aware of performance to budget on a regular basis so they can agree they are happy with it.

Auditor judgement

Members should be made aware on the progress of the budget at regular intervals and budget holders should be held accountable for the performance.

Summary findings

The loss of key staff and experience has had a huge impact on the Council with controls not being completed as expected and material errors identified in the accounts. One of these controls was to provide members regular budget monitoring reports. However this was not completed in the year.

Management comments

Revenue and Capital Budget Monitoring will be reinstated during 2021/22 and reported both to Officers and Members.

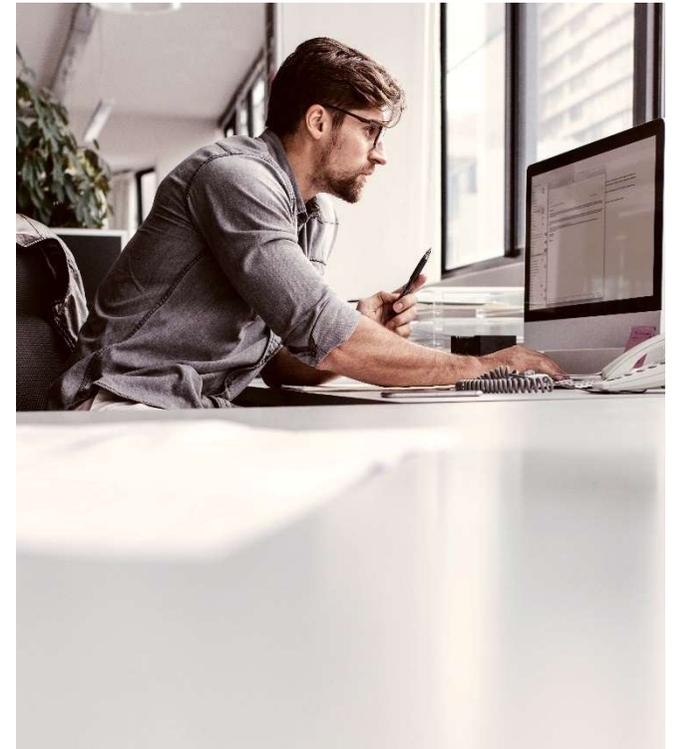
The range of recommendations that external auditors can make is explained in Appendix C.



Improvement recommendations

Governance

6 Recommendation	The Council should complete the review of risks included in the risk register to ensure they are relevant to the Council and scored correctly. Training should be provided to members and officers to ensure they are relevant to the Council. Reporting risks to members should also be improved. Risks should include the risk owner, mitigating actions and timescale.
Why/impact	Risk recording and reporting is key in highlighting areas to members for consideration in decision making and managing risk.
Auditor judgement	We feel the Council should have a clear understanding of the risks which are applicable and key risks should be reported to members on a regular basis. Officers and members should also be given regular training to ensure they understand the process.
Summary findings	The Council have identified the need to complete a refresh of the Council's risks and should ensure this is completed. Training has been paused due to Covid therefore once the refresh has taken place training should be provided to both members and officers. The Council report a list of risks to members and this currently is a listing of risks only.
Management comment	The Risk Register will be refreshed and updated as part of the Service planning process for 2022/23. This will be external review and officer training carried out during the year to further refine the register.

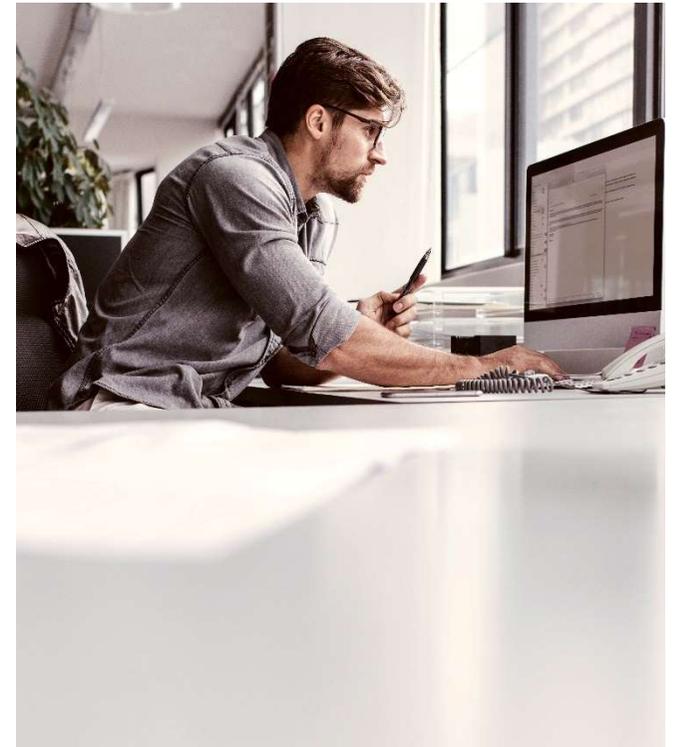


The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

7 Recommendation	Complete an annual review of Internal Audit to assess compliance with the governance requirements and report the outcome to the Audit Committee.
Why/impact	The Council should complete the CiPFA checklist which will assess the compliance with governance requirements for internal audit. This will highlight any weakness the Council may need to address.
Auditor judgement	It is best practice to complete the checklist on an annual basis and report findings to the Accounts and Audit Committee.
Summary findings	Our work identified the Council has not completed this checklist.
Management comment	The Internal Audit function is provided by an external party (MIAA). MIAA have completed their own CIPFA compliance check and comply with these requirements. A further compliance check can be carried out but is highly unlikely to yield differing results.

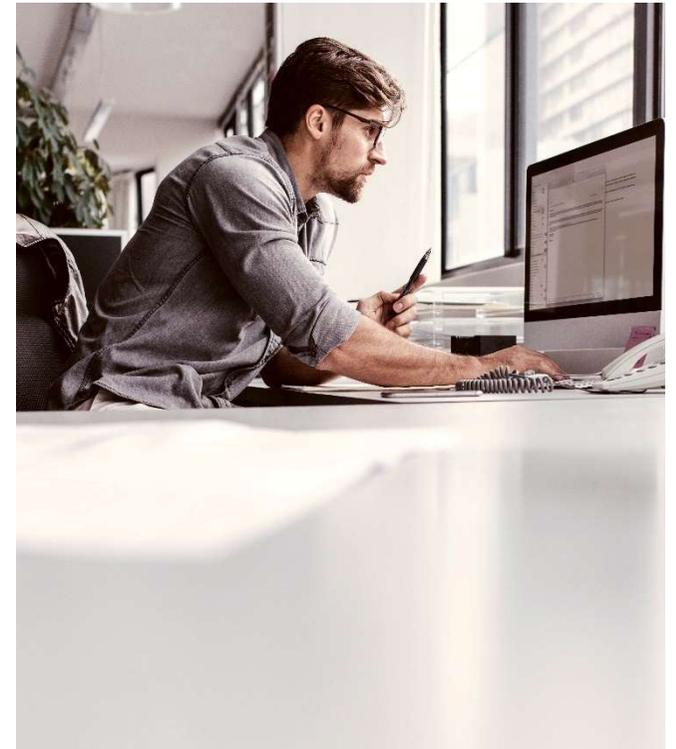


The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

8 Recommendation	Ensure both members and officers training is resumed and kept up to date.
Why/impact	This will ensure members and officers are equated with the appropriate skills to carry out their responsibilities.
Auditor judgement	It is important that both members and offices are equipped with the knowledge they need to carry out their responsibilities in full. Much of the previously established training programmes were halted due to Covid and it is not clear that training has resumed in full.
Summary findings	Training was halted due to covid and this should now be re-established.
Management comment	A comprehensive Training Programme for new and existing Members has been implemented post elections in May 2022.

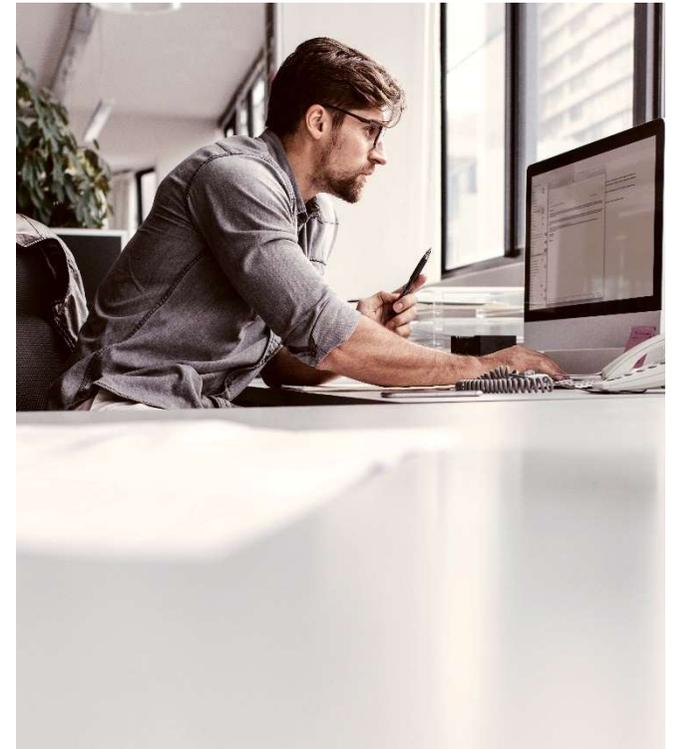


The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

9 Recommendation	The Council should ensure the register of gifts and hospitality is regularly reviewed by the monitoring officer and the Council is able to evidence this. The Council should also consider maintaining the register for gifts and hospitality electronically.
Why/impact	The Council should be able to evidence the review of its key registers to demonstrate that any declarations have been appropriately considered. Having electronic registers will help officers to record all transactions and ensure these are reviewed on a regular basis.
Auditor judgement	Evidence of review will confirm management have taken into account all declarations made.
Summary findings	Our review showed numerous gifts and hospitality register are maintained for each department however these are in a hardcopy. This showed no evidence of review from management or the monitoring officer to confirm there have been no risks in accepting the gifts or hospitality.
Management comment	The Council will ensure that the register of gifts and hospitality is regularly reviewed by the Monitoring Officer and that this can be evidenced satisfactorily.



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

Improving economy, efficiency and effectiveness



We considered how the Council:

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

Performance review, monitoring and assessment

The Council has introduced a structured performance management framework for all of its services. This provides clear, publicly available information to show their progress and is linked to the Council's strategic objectives.

On a quarterly basis, performance information is presented to the Corporate Management Team and Policy and Resources Committees. This is in line with the Council's Data Quality Strategy and Policy, which is reviewed and refreshed as required. The Council provides teams with guidance notes in order to update the Pentana system. Although data in this system is signed off by the manager and sensed checked by the performance team, no work has been completed by internal audit. We have included an improvement recommendation that Internal Audit incorporate this in their work to help ensure the quality of the data (see recommendation on page 29).

Targets for service performance for the year 2020/2021 were provided, in the Strategic Monitoring Statements, and a 'traffic light' system used to show variances of actual performance against the target. The Council also includes a commentary on the performance, which provides an explanation on the performance and this is reported, to the Policy and Resources Committee, on a quarterly basis.

We understand the Council is currently undertaking a complete refresh of the Corporate Plan and as such the performance indicators are being refreshed to be in line with these strategic objectives.

Internal audit and external audit report to the Accounts and Audit Committee on a regular basis and this reporting includes any recommendations made and the Council's response. The Council should include a follow up report to Accounts and Audit Committee, showing the progress made on these recommendations (see page 30).

The Council is actively seeking areas to improve, for example by taking part in the Corporate Peer Challenge which is designed to help Council's improve performance. A new Chief Executive came in post in September and a review has been completed. This focused on five key areas:

1. Local priorities and outcomes
2. Organisational and place leadership
3. Governance and culture
4. Financial planning and management; and
5. Capacity for improvement.

The review have prepared a draft report of findings for the Council to consider. The feedback from this review included:

- Have a clear, shared vision for the Council and ensure resources are allocated to it, align leadership and governance to it and ensure performance management framework is aligned to meet the shared vision.
- Roll out the revised performance appraisals to all staff;
- Complete a further review on governance and decision making;

- The Ensure clear line of communication and engagement on the transformation programme which includes the whole organisation to meet the financial challenges ahead.
- Ensuring strategic decision making is made to meet the financial challenges ahead.

We have raised an improvement recommendation for the Council to address these recommendations in a timely manner and report progress to management, (page 32).

Council has undertaken some limited benchmarking using CIPFA Statistics to inform its decision making on areas to focus savings programmes. The Council includes a report which compares costs of services e.g waste collection and open spaces to neighbouring councils. These are all given a traffic light system. This shows where the Council spend is in comparison with its neighbouring councils.

We have completed some of the benchmarking tools available to us. This has identified the Council has the highest amount of borrowing however this does not link in to the Capital Programme. An improvement recommendation has been identified for the Council to review the amount of borrowing it has in line with the capital requirements, (page 31).

The Council has processes in place which ensure they select the options which provide the best value to the Council. However they may sometimes be circumstances where a certain supplier is required and as such there are reported to members.

We have not identified any evidence of failure to meet minimum service standards or failure to review and challenge strategic priorities.

Partnership working

The Council has various partnerships in place, to support delivery of Council objectives. These include the PEARL (Pendle Enterprise and Regeneration Limited) which are Joint Venture companies and are key to the delivery of the Council's Regeneration and Housing Development objectives. Reports on the performance of the PEARL activities are submitted to the Policy and Resources Committee.

The Council also works closely with Pendle Leisure Trust which is key to the delivery of the leisure facilities, and with Liberata which provides a number of the outsourced services for the Council. All reports are shared with the Council and performance is reviewed at the Councils committees.

If the Council is undergoing major changes it will consult with stakeholders. For example the Council has received funding of £25m for the Nelson Town Deal. The Councils website included a link to facilitate residents comments on spending priorities.

Procurement

The Council has a procurement and commissioning strategy which covers the period from 2020-2023. The Strategy supports the Council's strategic objectives and ambitions and ensures procurement activities are integrated and focused on the achievement of the Council's aims.

The Strategy aims to support the Council in meeting its 5 corporate strategic objectives:

- Strong Services
- Strong Economy
- Strong Communities
- Strong Organisation
- Strong Response and Recovery

The Procurement Policy includes details on the process to follow for different types of contract values and includes the person completing the shortlisting. Tenders over £122,976 will require approval from a manager who has completed the CIPS (Chartered Institute of Procurement and Supply) training course and the Policy and Resource Committee. The statement also details the conditions to engage consultants.

As well as the strategy, the Council has procedures in place which are embedded in the Contract Standing Orders and Financial Regulations which are embedded in the constitution.

The Council has Boards in place which will review the leisure contract as well as the strategic partner contract. If the Council enter any complex transactions it will also engage with an advisor to provide advice where required. For example Star Procurement was engaged to provide evidence on establishing a new Joint Venture Partner. As well as this the Council has engaged Link to review the Council's borrowing in line with the capital program.

During 2021/22 Internal Audit reviewed procurement within the Council. Overall, reasonable assurance was reported within this review, with four category 2 actions points, which are currently being implemented.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources. We have identified some opportunities for improvement as set out overleaf.

Improvement recommendations



Improving economy, efficiency and effectiveness

10 Recommendation	The Council should have Internal Audit incorporate review of performance reporting into their work plan to help provide assurance over the quality of the data.
Why/impact	Members need to be confident in the quality of the data being reported in order to be able to place reliance on it.
Auditor judgement	Members should be able to rely on the performance indicators to make suitable decisions around corrective action.
Summary findings	Data quality assurance arrangements should be put into place, so members can rely on the data.
Management comment	The Internal Audit Plan for 2022/23 has already been agreed but this will be fed into discussions for future Internal Audit reviews.



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

Improvement recommendations



Improving economy, efficiency and effectiveness

11 Recommendation	We recommend that a report following up on recommendations made by Internal and External Audit is presented to Accounts and Audit Committee.
Why/impact	It is important that members of the Accounts and Audit Committee have assurance that recommendations have been implemented and actions in a timely manner. Members should be able to monitor the progress made on the recommendations until they have been implemented.
Auditor judgement	The Council should provide a regular report to Accounts and Audit Committee members to show the progress made on recommendations raised through the audit process. There is then a clear accountability trail to ensure the recommendation are addressed and explain the reasons where they are not.
Summary findings	Although recommendations are made on audit reports progress is not reported on until the next review. Internal Audit progress reports include a summary of recommendations however this can be enhanced so members are unable to monitor how progress is being made in the meantime.
Management comment	Agreed



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

Improvement recommendations



Improving economy, efficiency and effectiveness

12 Recommendation	The Council should review the level of borrowing held by the Council to ensure the level is adequate for the Council.
Why/impact	The level of borrowing will impact on the Councils finances therefore should be maintained at an adequate level.
Auditor judgement	The Council should review the level of borrowing to ensure it is at an appropriate level in line with the capital financing requirement.
Summary findings	The Council has the highest level of borrowing amongst the Lancashire districts and does not tie in with the Councils Capital Programme.
Management comment	A review of the capital programme for 2022/23 and beyond will be carried out to ensure that the level of borrowing is set at an appropriate level and in line with the capital financing requirement.



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

Improvement recommendations



Improving economy, efficiency and effectiveness

13 Recommendation Ensure the recommendations of peer review are addressed in a timely manner and progress reported to members.

Why/impact It is important that the recommendations raised are actioned on a timely manner. Members should be able to monitor the progress made on the recommendations until they have been implemented.

Auditor judgement The Council should insure the peer review findings are actioned on a timely basis. Progress should be reviewed on a regular basis by Management Team and members.

Summary findings The Council have recently completed a peer review and draft findings have been received. The Council should ensure the processes are in place to address these recommendations.

Management comment A Corporate Peer Challenge Action Plan has been developed and agreed to manage this process.



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

COVID-19 arrangements



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

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

Financial sustainability

The impact of COVID-19 has cut across the Council, impacting its income in the collection rates of Council Tax and Business Rates.

The Council has incurred additional operating and staff costs and a reduction in its income. The reductions in income has included a reduction in trade waste collections and tenanted commercial income. The Council has maintained good oversight of its finances.

Pendle Leisure Trust has been substantially affected by the Covid pandemic. The services the Trust offers have been closed for most of the year due to lockdowns, which has implied a reduction in income whilst the costs have been retained. The Council paid the Trust £1.442 million in relation to the management fee as well as an additional £342,000 in 2021/22 to support its activities.

As part of the Covid-19 response, the government announced a range of grant schemes to support businesses to be administered by local billing authorities. The Council successfully administered grant payments to individuals and businesses.

Throughout the period, authorities have been responsible for paying over the grants to businesses and have then been reimbursed by the government using a grant under Section 31 of the Local Government Act 2003 (S31).

As the continuing response to and recovery from Covid-19 spans financial years, funding received in the financial year 2020/21 can in some cases be carried forward into 2021/22 to support ongoing response and recovery work. Indeed, the specific funding will be critical as the Council continues to deliver Covid-related response and recovery activity alongside an increasing number of Council services returning to business as usual.

Governance

While the Council generally maintained a business-as-usual approach to its governance arrangements during the pandemic, some adjustments were required. As a result of the lockdown restrictions announced on the 16th March 2020, the Council adjusted some of its internal control processes to support effective governance throughout the pandemic. As soon as these were lawful, the Council started holding committee and Council meetings online. Appropriate levels of scrutiny and challenge continue to be applied.

The Council responded quickly to the Covid-19 pandemic. They invoked the Exercise Urgent Powers protocol and introduced virtual committee and council meetings. Emergency Planning and Business Continuity arrangements were introduced.

The Chief Executive set up the Strategic Crisis Management Team (SCMT). This team met regularly throughout the crisis to coordinate the Council's response activities. They also represented Pendle in the Lancashire Resilience Forum.

Regular reports on the impact of Covid-19 were reported to committees including the Council, allowing for oversight and scrutiny. A report was also included on the Policy and Resources Committee to show a Covid recovery plan.

The strategic risk register has been updated to ensure Covid-19 related risks are recorded appropriately, mitigated where appropriate and monitored.

Internal Audit's delivery of the 2020/21 audit plan was not significantly impacted by the pandemic. The audit plan was delivered although some of the reviews were in progress at the year end.

Internal Audit has not yet undertaken any reviews in relation to the Council's response to Covid. However, work within each of the system audits in 2021/22 will include a review of Covid arrangements in place.

COVID-19 arrangements

Improving economy, efficiency and effectiveness

The Council maintained its reporting of performance against the targets throughout the year to show how the Council have performed against agreed performance indicators. 47% of these performance indicators were under performing.

When lockdown restrictions were announced, all staff were requested to work from home where possible. Staff were redeployed to areas of most need. The Council has been mindful of the impact on the pandemic on its most important resource, its staff. Actions have been put in place to support staff wellbeing and supporting staff remains a key priority for the Council. In aiming to maintain staff wellbeing, the Council has been able to maintain an efficient and effective delivery of its statutory services.

This is clearly demonstrated through the Council’s successful administration of £48.036 million of grant funding to businesses and individuals affected by the Covid-19 pandemic. The Council administered £21.915 million coronavirus grants to small and medium businesses.

Individuals and business have been significantly affected by the Covid-19 pandemic. We undertook a review of district councils vulnerability to the immediate and medium-term impacts of Covid-19 and how well placed areas are to respond and recover from Covid-19. The vulnerability index considers six socio-economic factors, as shown in the following diagram:



The recovery index focuses on a number of indicators:

- year at risk;
- level of reserves as a percentage of gross expenditure;
- house price recovery;
- percentage of businesses in ‘at risk’ sectors;
- Gross Value Added (GVA) – Covid-19 impact on growth;
- business size (mixture/variance);
- reduction in business rates; and
- net additional dwellings (percentage of total dwellings).

High/ very high vulnerability socio-economic factors:	
People	Further analysis shows that Pendle Borough Council has a number of very high and high vulnerabilities. These include a very high percentage of population are from the BME community, claimant rate and employed in ‘lower level’ occupations. The Council also has a high level of population density and average income.
Place	An area of high vulnerability is place, the Council has a very high rating for household overcrowding.
Economy	The Council has very high vulnerability in all terms here with the exception of self employment which is high. There very high categories include, businesses in the ‘at risk’ sectors, percentage of people employed in ‘at risk’ sectors, Covid GVA impact reduction and economically active.
Health	The Council has a number of very high vulnerability in this section. This includes, life expectancy for both males and females, under 75 mortality, estimated diabetes diagnostic rate, current smokers and common mental disorders prevalence for people aged 16 and over.
Social care	Similarly to other districts in Lancashire, Pendle Borough Council also has high numbers of children in need, number of child protection plans, free school meals, looked after children and older adult supported in residential.

Conclusion

Our review has not identified any significant weaknesses in the Council’s VFM arrangements for responding to the Covid-19 pandemic.

Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

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

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

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

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

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

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

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



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

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

Risk of significant weakness	Procedures undertaken	Findings	Outcome
<p>Financial sustainability</p> <p>Our work identified the Medium Term Financial Plan does show there is a cumulative £3m deficit for the 4 year period to 31/3/25. These are savings which the Council will need to identify over the years.</p> <p>Therefore the Council may be faced with making key decisions on finances over the following few years.</p>	<p>We have reviewed the Councils Medium Term Financial Plan and budgets prepared. We have also assess the number of years the reserves will last if no savings were identified.</p>	<p>We reported if the Council did not address these issues in the short term it will not be able to meets its budget in the medium term. The Council's current reserves are likely to diminish by 2024/25.</p>	<p>Appropriate arrangements not in place - key recommendation raised</p>
<p>Governance</p> <p>Our work noted that the Council and in particular the finance team have had a number of changes over the past 9 months. This has included a change in Chief Executive, around 5 changes in s151 officer as well as changes in the Financial Services Manager and Capital Accountant.</p>	<p>We reviewed the impact of this change in staff on the Councils processes.</p>	<p>Our fundings identified key controls were not in place and material errors identified in the financial statements audit.</p>	<p>Appropriate arrangements not in place - key recommendation raised</p>

Appendix C - An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	NA
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	12,13,22
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	14-18 23-26 29-32

