



Pendle Borough Council

Interim Auditor's Annual Report
Year ending 31 March 2025

January 2026



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

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01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for Pendle Borough Council during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 20224/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of a local authority has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State. They may also issue:

- Statutory recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

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 (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come 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. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Local government – context

Local government has remained under significant pressure in 2024/25

National

Past

Funding Not Meeting Need



The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.

Workforce and Governance Challenges



Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

Present

Financial Sustainability



Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.

External Audit Backlog



Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.

Future

Funding Reform



The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.

Reorganisation and Devolution



Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Local

The Council is a second tier council with a population of 100,000 residents. The Council operates under a Leader and Executive decision-making model, which oversees the formation of all major policies, strategies and plans and as such the Council’s formal decision making and governance structure constitutes the Full Council and an Executive (the Executive). Full Council and Executive are supported by an overview and scrutiny committee. The Council has 33 councillors, and the Council is elected in thirds over a four year period. The most recent elections were in May 2024 when the council remained as No Overall Control, with a coalition of independents and the Liberal Party continuing to run the council.

It is within this context that we set out our commentary on the Council’s value for money arrangements in 2024/25.

02 Executive Summary

Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council’s arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	R Significant weakness in arrangements identified in relation to financial sustainability with three improvement recommendations also raised.	One risk of significant weakness identified due to their being gaps between future spending and income with necessary savings not identified	R Significant weakness in arrangements for financial sustainability were identified and a key recommendation made. We also raise two improvement recommendations.
Governance	R Significant weaknesses identified and five Key Recommendations and eight Improvement Recommendations were made.	A number of risks of significant weakness were identified as remaining in place for 2024-25	R Continuing significant weaknesses in arrangements have been identified and key recommendations made. We also raise four improvement recommendations.
Improving economy, efficiency and effectiveness	A No significant weaknesses identified; two improvement recommendations raised.	No risks of significant weakness identified	A No significant weaknesses in arrangements identified, but one new improvement recommendation made, and one reiterated from prior year.

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendation(s) made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Financial sustainability

The Council has continued to experience budgetary stresses and, going forward, will need to ensure it reflects further pressure from inflation, pay awards and forecast reductions in interest earnings, as well as the potential impact of the Fair Funding Review, into future years plans. The Council needs to identify longer term savings plans to strengthen its medium-term financial plans. This is a Significant Weakness and a Key Recommendation has been made on page 19. We have also made two Improvement Recommendations. All of the recommendations raised in this area, including the Key Recommendation, were raised in last year's Auditors Annual Report (AAR).



Governance

Within our previous AAR we identified Significant Weaknesses with the Council arrangements and raised five associated Key Recommendations. We have reviewed progress against these recommendations and note that, although some improvements have been made, three recommendations remain in place

Joint Ventures – We have concluded that the Council should commission independent legal advice on its relationships with joint venture companies to ensure appropriateness of the governance arrangements. As the Council's work to address this is incomplete the Significant Weakness and Key Recommendation remain.

Information governance – In July 2024 Internal audit identified issues around Information Governance, with a number of specific points identified. As the Council's work in response to the points identified remains outstanding the Significant Weakness and Key Recommendation have been repeated.

Planning Process - We reported that the arrangements for determining planning applications were inconsistent and raised a Key Recommendation. As the Council's improvement to arrangements work is currently incomplete the Significant Weakness and Key Recommendation remain.

As well as the Key Recommendations we have also repeated a number of Improvement Recommendations that were raised in last year's AAR.



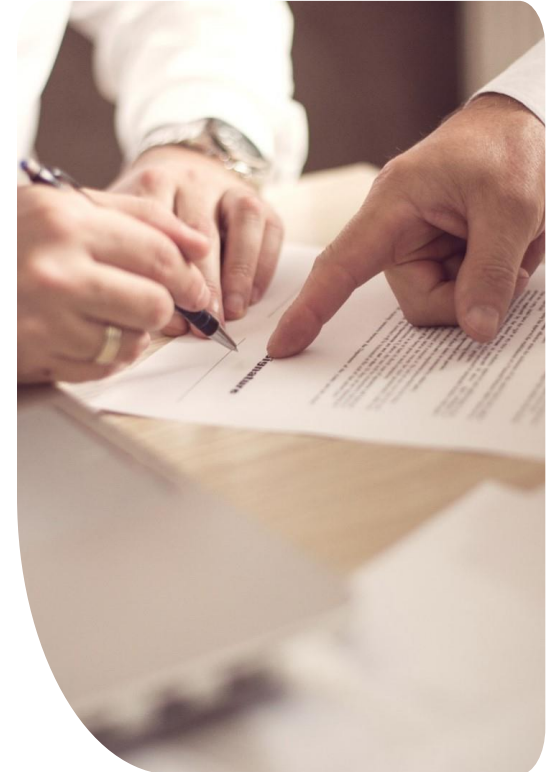
Improving economy, efficiency and effectiveness

The Council's performance reporting through quarterly Executive updates includes tracking 26 KPIs and 36 priorities via Pentana, supported by a framework and data quality assurance. Targeted interventions like Performance Clinics and Partnership Steering Groups address underperformance (e.g., sickness absence, recycling rates). Performance reporting remains timely, with benchmarking informing service planning. Strategic partnerships underpin regeneration and wellbeing initiatives, yet assurance over Health & Wellbeing reporting is limited—one recommendation remains outstanding. Contract management shows partial improvement; Liberata oversight and capital project delays persist, with prior-year recommendations still open.

Executive summary – auditor’s other responsibilities

This page summarises our opinion on the Council’s financial statements and sets out whether we have used any of the other powers available to us as the Council’s auditors.

Auditor’s responsibility	2024/25 outcome
<p>Opinion on the Financial Statements</p>	<p>At the time of writing our audit of your financial statements remains in progress and we will report our findings and conclusions in our 2024/25 Audit Findings Report at the Accounts and Audit Committee meeting on 27 January 2026. Our opinion will be disclaimed due to the 2023/24 audit being backstopped.</p>
<p>Use of auditor’s powers</p>	<p>To date we have not:</p> <ul style="list-style-type: none"> • issued any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014. • made an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014. • made any application for judicial review under Section 31 of the Local Audit and Accountability Act 2014. • identified any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.



03 Opinion on the financial statements and use of auditor's powers

Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

Our work on the audit of the financial statements is ongoing and we will update this report once complete.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline of 30 June 2025.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report will be presented to the Council's Accounts and Audit Committee on 27 January 2026. Requests for this Audit Findings Report should be directed to the Council.

Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.



04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

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. Council's 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 (NAO) Code of Audit Practice ('the Code'), 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 budget management, risk management, and making 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.

Financial sustainability – commentary on arrangements

We considered how the Council: **Commentary on arrangements**

Rating

identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

In common with most of the sector the Council has been experiencing high inflationary pressures on its spending, and more recently pressures on temporary accommodation costs. Within the budget for 2025/26 the Council had a 9% reduction in Government grant (across the principal grants) and assumed a 3.7% increase in yield from Council Tax and continued high levels of interest earnings. The Council’s budget for 2025/26, approved by full Council on 20 February 2025, was balanced, but this was based on realising planned savings to aid the continued use of reserves to meet the funding gap over the short to medium term. We raise a key recommendation on page 19 that the Council should urgently prepare and agree short and medium-term plans to close its budget gap over the short to medium term by generating savings and efficiencies and removing the reliance on reserves which is unsustainable.

Over the remaining years until Local Government reorganisation, the Council will need to take action to contain or build into its budgets rising property services costs, alongside further pressures from inflation, pay awards, the impact of the Fair Funding Review, Waste Disposal Costs and the implementation of Food Waste collection.

The Council considers risks in its situation and, whilst the financial position may be supported by the availability of reserves, there is recognition that this is not fully sustainable as the budget gap that needs to be managed continues to increase. As the year progresses, the Council needs to ensure it is confident in its forecasting of income levels before it can rely on the identified budget gap figures.

Within our AAR for both 2022/23 and 2023/24 we identified a Significant Weaknesses with regard to financial sustainability and this remains in place for 2024/25. A particular issue highlighted the need for the Council to develop savings beyond one year, and it is apparent the Council’s plans still do not include clarity on the potential for, or the delivery of, savings for years beyond the first year of the 3 year financial plan. As well as the focus on improvements to medium term financial planning it is important, given the budget variations that the Council reports, that it maintains its focus on budget monitoring in-year and the delivery of savings, and an Improvement Recommendation is made that they should do this (Page 20).

R

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Council: **Commentary on arrangements**

Rating

<p>plans to bridge its funding gaps and identify achievable savings</p>	<p>As discussed in last year’s AAR the Council has been using reserves to balance the budget. For 2024/25 the Council set a budget which included savings which resulted in a small use of reserves. The actual outturn for the period resulted in a small surplus, with £177k being added to reserves, following the deferral of some costs out of the 2024/25 budget into the 2025/26 budget.</p> <p>There are now budget pressures in year which means that an overspend is forecast, and there is still a budget gap for future years. As noted on the previous page, the financial plan is balanced for the first year, although there are budget gaps in future years. These being £0.449m in 2025/26, 2.6% of budgeted net revenue expenditure, £1.306m in 2026/27, 7.1% of forecast net revenue expenditure, and £2.321m in 2027/28, 14.1% of forecast net revenue expenditure.</p> <p>In previous AARs we have recommended that the Council monitor the delivery of savings. While we note that the monitoring of savings delivery is set out within the quarterly monitoring, the report does not provide supporting data / analysis to aid understanding of the position. This Improvement Recommendation is therefore retained (Page 20).</p>	<p>A</p>
<p>plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities</p>	<p>The Council’s Medium Term Financial Plan (MTFP) and the processes supporting it reflect the Council's Corporate Plan (agreed in December 2023) and this has four Key priorities:</p> <ul style="list-style-type: none"> • Providing High Quality Services and Facilities, • Proud and Connected Communities and Places, • Good Growth and • Healthy Communities . <p>The Council understands which of its budgets relate to key statutory responsibilities whilst recognising its desire to subsidise discretionary services and have undertaken some work around comparisons of income from fees and charges with other authorities.</p>	<p>G</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Council: **Commentary on arrangements**

Rating

<p>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</p>	<p>The Council's financial plans align with other key plans that the Council produces, including the overall Corporate / Council Plan (currently being revised)</p> <p>In producing the Capital Programme the Council has reviewed budgets to ensure they are more aligned to forecast spend. This review of the programme is also being carried out so that the programme is aligned with objectives and the Council's financial position, including reducing debt. This latter activity was in line with an Improvement Recommendation made in last year's AAR which has therefore been discharged.</p> <p>The Council's Treasury Strategy for 2024/25 was aligned with the capital programme, and the interest and principal (through the Minimum Revenue Provision (MRP)) repayments are reflected in the revenue budget. During 2024-25 the Council reviewed its MRP policy to move to an annuity method and made a change to this. This support the Council's clear policies for treasury management which has continued to review the balance between risk and reward in borrowing and investment decisions.</p> <p>The Council has an aim of being carbon neutral by 2030 though the latest review by the Council suggests they will not meet this target and discusses further action including a new strategy</p>	<p>G</p>
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- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Council: **Commentary on arrangements**

Rating

<p>identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans</p>	<p>The Executive receive financial monitoring reports on a quarterly basis, and these give broad commentary on variations, and actions to be taken. The reports include forecasts of the current expected position and some information on proposed mitigating actions where additional actions are assessed as necessary. The reports deal with the key issues that face the Council by, for example, discussing energy costs, the Liberata contract and most recently property services costs (including Colne market trader relocation and management of the Pendle Rise shopping centre). Careful monitoring will continue to be needed, as discussed on page 17.</p> <p>The Council continues to commit its reserves to balancing the budget over the life of the medium term financial plan, with the amount being dependent on the agreement on savings. This means that forecast overspending, as has been identified within the initial 2025/26 quarterly monitoring, increases both the need for, and urgency of, finding savings as the level of reserves that support the Council’s financial planning approach are continuing to reduce and this approach, given the impact on available balances over time, is not sustainable.</p> <p>Whilst the Council had shown understanding of the dynamic nature of key elements of its funding, particularly from government in previous years and looked at the sensitivities generally, there was limited sensitivity or scenario work informing the February 2025 budget, though there was a narrative discussion of factors that would impact on the use of reserves. In previous years we made an Improvement Recommendation that the Council carry out more work on scenarios in its next financial planning cycle and, while we recognise recent senior officer changes are driving improvements in arrangements, this has not yet been fully implemented and therefore the improvement recommendation is retained (Page 20).</p>	<p>A</p>
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- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability (continued)

Significant weakness identified in relation to financial sustainability

Key Finding: Both our 2022/23 and 2023/24 AARs identified a Significant Weakness with regard to financial sustainability and a Key Recommendation was made that the Council should plan savings over a longer time period. The Council has not had a straightforward process for agreeing its budget in previous years, in part due to it being in No Overall Control for significant periods.

Evidence: Based upon the evidence we have reviewed, we are not satisfied that during 2024-25 the Council has proper arrangements in place to ensure there is an appropriate plan to manage the short to medium term financial risks facing the Council, We assess that this presents a Significant Weakness in arrangements to deliver financial sustainability. We have therefore raised a Key Recommendation.

Impact: If the Council is not able to effectively manage demand to reduce costs, and deliver additional savings, reserve levels will reduce to a level putting the medium-term financial sustainability of the Council at risk.

Key recommendation 1

KR1: The Council should prepare and agree short and medium-term plans to close its budget gap by generating savings and not having a major reliance on reserves. The preparation of plans should include taking decisions regarding future years before the budget setting Council meeting.

Financial sustainability (continued)

Area for Improvement identified: monitoring delivery of savings

Key Finding: The Council has a number of categories of spend and income in its budget that require careful monitoring – including agency staff costs, costs arising from temporary accommodation, property services costs and interest earnings, as well as management of a number of significant capital projects.

Evidence: Review of the quarterly monitoring completed throughout 2024/25, as well as into the first quarter of 2025/26 has confirmed that data and information provided on savings is limited to an update on delivery against values, with little detail on values movements and possible movements. We are aware of ongoing developments and changes to processes which are being implemented for monitoring from later in 2025.

Impact: The Council's finances are at risk if it does not carry out continual accurate and robust financial monitoring. The Council should ensure that it also gives sufficient attention to monitoring as the information from this underpins the assumptions made in the medium-term financial planning.

Improvement Recommendation 1

IR1: The Council should ensure it remains focussed on budget monitoring given the number of potentially variable budgets.

Area for Improvement identified: MTFP development

Key Finding: Across a number of years we have recommended that whilst updating the Council's Medium Term Financial Forecast (MTFF) the Council should ensure a range of scenarios and sensitivity analysis be undertaken and clearly reported to members on an annual basis

Evidence: The Council has made some improvements in arrangements, by including some work of this nature in the budget setting papers, although the more recent papers (February 2024 or February 2025) have not set out similar details.

Impact: A lack of adequate saving planning and an inability to deliver planned savings that are recurrent puts the Council's Medium Term Financial Plan (MTFP) at risk, including the reduction in reserve balances. Members should be given a broader understanding of the range of possible financial situations and options available to them.

Improvement Recommendation 2

IR2: The Council should ensure a range of scenario and sensitivity analysis is carried out as part of the MTFP work

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</p>	<p>The Council has adequate risk management arrangements overall. It has a strategic risk register that identifies the key risks facing the organisation, and the Corporate Governance Steering Group and Risk Management Working Group are responsible for identifying and assessing strategic and operational risks respectively. We have previously identified some improvements which could be made to the risk register to align this with best practice and raised an associated Improvement Recommendation. While the Council has made progress, it has not fully addressed the recommendation, and we have therefore repeated the Improvement recommendation (Page 28). In addition, as part of our review we also previously raised concerns over the Council's risk management and in particular the management and governance of the Council's joint venture companies (see our commentary on page 22).</p> <p>The Council has an adequate internal audit function, provided by Mersey Internal Audit Agency which is compliant with Public Sector Internal Audit Standards. We raised an Improvement Recommendation in relation to internal audit in our 2023/24 AAR relating to counter-fraud activities are not being reported to the Accounts and Audit Committee. While there is an overall plan, we have not noted a change in the Councils processes and are therefore repeating the Improvement Recommendation (Page 28).</p>	<p>A</p>
<p>approaches and carries out its annual budget setting process</p>	<p>As part of the setting of the 2025/26 budget, the Council followed its established processes which were adequate, with the MTFF and budget being set together and mutually consistent. Pressures from pay and demography, alongside analysis of savings / income improvements have been identified in support of it. The budget setting process included challenge from Overview and Scrutiny Committee alongside support in terms of detailed review of potential budgetary changes through service amendments or changes to the Council's charging arrangements.</p> <p>In last year's AAR we recommended that the Council undertake consultation with residents, business and the voluntary sector on the budget, and plans for this are underway but as this has not yet taken place this Improvement Recommendation is retained (Page 29).</p>	<p>A</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships</p>	<p>Our work in 2023/24 identified a Significant Weakness around capacity in the finance function as the Council had not been able to produce its draft accounts for 2023/24 before the statutory deadline of 31 May 2024, and as at the end of November 2024 had still not produced the accounts. The Council has made significant progress with the preparation of the financial statements, with the 2024/25 statements being prepared in line with the statutory timetable. These accounts are currently being subjected to audit. Therefore our Key Recommendation that the Council should plan and resource the work of the finance function to ensure that accounts production and other key functions of the team can be achieved has been removed.</p> <p>The Director of Resources reports on the Council’s financial performance quarterly to Cabinet. This includes reporting variations and actions proposed to mitigate forecast overspends alongside some analysis on savings delivery. The quarterly financial monitoring report includes revenue and capital information. Treasury management is reported separately, also quarterly, to the Accounts and Audit Committee by the Director of Resources. In our 2023/24 AAR we made an Improvement Recommendation the Council should manage and mitigate risks arising from its relationships with the joint venture companies in the same way it manages risks arising from its own financial and strategic plans. This being to ensure any risk management issues were not overlooked as part of the response to recommendations on management and governance of joint ventures. While some progress on arrangements has been made, these are not completely implemented and therefore the Improvement Recommendation has been repeated (Page 29).</p>	<p>A</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council: **Commentary on arrangements**

Rating

<p>ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee</p>	<p>In previous we have noted Significant Weaknesses in the Council's arrangements for ensuring it makes properly informed decisions that are supported by appropriate evidence and allowing for challenge and transparency. We raised a Key Recommendation that the Council should commission a suitably qualified facilitator to work with members to identify any barriers to completing the change from a committee system to a Leader and Executive model successfully. The Council had previously engaged facilitators through the Local Government Association (LGA) to develop a programme of work and training. While Councillors appear to be working more effectively in the Leader and Executive model, the Council continues to monitor progress and the outcomes of the LGA engagement are yet to be fully realised. Therefore we have revised our previously issued key recommendation to be an Improvement Recommendation (Page 29).</p> <p>In addition, previously we also raised an Improvement Recommendation that the Council should review the current meeting seating arrangements to reflect the constitutional position of the role of Leader and Deputy Leaders of the Council in a shared administration. This has also not been progressed as the LGA work has not been further progressed and therefore we have restated our Improvement Recommendation (Page 29).</p> <p>Our 2023/24 and 2022/23 AARs both found that there was a Significant Weaknesses in governance arrangements underpinning the Council's relationships with its joint venture companies and raised a Key Recommendation. We recognise that the Council is making progress by commissioning an independent legal advisor to undertake a review of the relationships and governance of the Council's joint venture companies, a report and recommendations on improvements having been presented to Executive during 2025. Although we are aware progress has been made, the changes were not in place by the end of the 2024-25 period and we have therefore concluded that this remains an area of Significant Weakness. (Page 25).</p> <p>We have previously also raised an Improvement Recommendation relating to risk management for the joint venture companies. Whilst the Council has updated its strategic risk register to include a heading related to joint venture companies, it is not clear that the Council has identified specific risks related to its joint ventures and is managing and mitigating these in the same way that it does risks arising from its own financial and strategic plans and operations. We have restated our Improvement Recommendation on this (Page 29).</p>	<p>R</p>
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- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council:

Commentary on arrangements

Rating

monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour

In July 2024 Internal Audit identified deficiencies and issued a limited assurance opinion, reporting fundamental weaknesses identified in the Council’s information governance processes to maintain the confidentiality, integrity and availability of personal identifiable data that the Council processes and holds. As Internal Audit's recommendations were still outstanding at the time of our work we raised a Key Recommendation. During the period, the Council has made some progress on addressing internal audit recommendations, although those related to the above review remain outstanding. Therefore we consider the issue to continue to represent a Significant Weakness and Key Recommendation (Page 26).

Both our 2022/23 and 2023/24 AARs have reported that there was a Significant Weakness in the Council's planning processes and raised a Key Recommendation. The detailed review by an independent legal advisor is yet to be completed and work is ongoing in this area to seek to address inconsistencies in the process. We have therefore concluded that this remains an area of focus and have repeated our Significant Weakness and Key Recommendation from 2023/24 (Page 27).

In our 2023/24 AAR, we also raised an Improvement Recommendation that the Council should review and update its codes of conduct and member/officer protocols. We have confirmed that this review and adoption has now been completed and as such we have removed our Improvement Recommendation.

R

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance (continued)

Significant weakness identified in relation to governance

Key finding: Within our previous AARs we identified that there was a Significant Weaknesses in the governance arrangements underpinning the Council's relationships with its joint venture companies because members who are also directors of the companies do not always declare conflicts of interest. We raised a Key Recommendation that the Council should commission independent legal advice on its relationships with and governance of its joint venture companies. Management appointed an independent legal advisor to undertake a review of the relationships and governance, including a review of potential conflicts of interest..

Evidence: We have observed that risks identified relating to the joint venture companies now appear in the Strategic Risk Register and that these will be managed in the same way as those relating to the Council's financial plans, other strategies, and operational activity. However, the report on the arrangements has not yet been fully actioned to date, the report and suggested improvement being presented to Council during 2025-26.

Impact: It is not clear that the Council has not identified actions to address and manage the risks related to its joint ventures and is managing and mitigating these. Full implementation will ensure that all aspects of the governance of the companies are sufficiently robust and compliant with the law relating to local government and companies. We have concluded that this remains an area of Significant Weakness and have restated our Key Recommendation.

Key recommendation 2

KR2: The Council should ensure implementation of the independent legal advice on its relationships with and governance of its joint venture companies to ensure that all aspects of the governance of the companies are sufficiently robust and compliant with the law relating to local government and companies. The Council should also implement any recommended changes to governance arrangements in relation to the companies.

Governance (continued)

Significant weakness identified in relation to governance

Key finding: Internal audit identified issues with information governance and issued a limited assurance opinion in July 2024. Internal audit's recommendations were due for implementation by 31 August 2024 but have since been postponed and are therefore still outstanding at the time of our audit.

Evidence: They reported that fundamental weaknesses were identified and they raised 3 high and 2 medium priority recommendations. High priority findings included:

- A lack of direct and dedicated resources designated to manage Information Governance across the Council;
- Record of Processing Activity (ROPA) had not been reviewed since 2020. In addition, the Council had not compiled an Information Asset Register with designated Information Asset Owners (IAO) and Information Asset Administrators (IAA) particularly for key business systems that hold PID data. This has resulted in a lack of understanding of the Council's overall data and information landscape; and
- A lack of robust processes for identification and management of third parties with access to Council data, or processing Council data including due diligence processes for engaging suppliers, ensuring GDPR compliant contracts and robust contract compliance arrangements.

Impact: As the council has yet to address the issues, there remain weaknesses in the Council's information governance processes to maintain the confidentiality, integrity and availability of personal identifiable data that the Council processes and holds.

Key recommendation 3

KR3: The Council should urgently implement the actions identified by Internal Audit to address fundamental weaknesses identified in the Council's information governance processes to maintain the confidentiality, integrity and availability of personal identifiable data that the Council processes and holds.

Governance (continued)

Significant weakness identified in relation to governance

Key finding: In our 2022/23 AAR, we reported that the arrangements for determining planning applications were inconsistent. Area Committees have granted planning permission against the Council's policies. The issue was identified as continuing for the 2023/24 AAR. We have also noted that during 2024/25 there have been no amendments to arrangements.

Evidence: This resulted in appeals and has generated avoidable costs and delays on development. As a result we raised a Key Recommendation that the Council should commission a focussed independent legal report on the consistency, costs and efficiency of its planning process and the potential future impacts of continuing with the current arrangements. Management advised that the Council has commissioned an independent legal report on these aspects of its planning process and the potential future impacts of continuing with the current arrangements. We understand that this report has yet to be received and there have been no changes made to the existing committee structure and working.

Impact: As the arrangements for determining planning applications remain inconsistent, there continues to be potential issues with consistency, costs and efficiency of the planning process. We have therefore concluded that this remains an area of Significant Weakness and have restated our Key Recommendation.

Key recommendation 4

KR4: The Council should complete a focussed independent legal review on the consistency, costs and efficiency of its existing planning process and the potential future impacts of continuing with the area committee structure, and in particular the level of ongoing cost for supporting the arrangements.

Governance (continued)

Area for Improvement identified: Risk register content

Key Finding: Our review of the Strategic Risk Register identified that, while the Council has made improvement to arrangements with its linking of risks to strategic objectives, alongside the inclusion of an assessment of likelihood and impact to provide some clarity over how risk may impact the delivery of these objectives, there remain some areas for improvement to risks management:

- gaps in assurance are not identified and documented.
- the risk register does not include an assessment of likelihood and impact.

Evidence: Detailed review of the updated strategic risk register and risk management documentation which provided updates to the current arrangements at the Council.

Impact: By not including details of gaps in assurance alongside an update to the assessment of likelihood and impact or each risk there remain potential gaps within the Council's risk management arrangements.

Improvement Recommendation 3

IR3: The Council should update its Strategic Risk Register in line with best practice to include the identification and documentation of gaps in assurance for each risk.

Area for Improvement identified: Fraud and Corruption reporting

Key Finding: We would expect counter-fraud activities to be reported to the Accounts and Audit Committee in order for them to receive assurance that there is a focus on preventative work as well as detective work and to provide an update on all cases under investigation, clearly demonstrating a zero tolerance culture. Management could not provide evidence to show that this reporting was currently taking place.

Evidence: Management have ensured that a plan for the ongoing review of fraud and corruption issues is in place, with this being presented to the Accounts and Audit committee. However, there is no ongoing reporting of progress in delivering aspects of the plan or responding to ad hoc issues.

Impact: While the council can demonstrate that there is structure for review in place through the plan, without ongoing reporting management could not provide evidence to show that the work is continuing and subject to monitoring.

Improvement Recommendation 4

IR4: The Council should further improve its counter-fraud approach by ensuring by providing an ongoing update report on activities to prevent and detect fraud to each meeting of the Accounts and Audit Committee

Governance (continued)

Area for Improvement identified: Budget consultation

Key Finding: Following the recommendation being made in last years AAR the Council have responded that they plan to carry out consultation on the budget, with identified amendments to the Council / Corporate plan having been identified.

Evidence: While the proposed amendments to the Council / Corporate plan for are being presented for review and consideration, there is yet to be developed and defined link for the amended priorities into the detailed budget and MTFP.

Impact: Without demonstrating a link between the revisions to the priorities after consultation, the Council is unable to verify that plans are in line with its key documentation. We are aware that this is likely to be demonstrated as the Council develops its next MTFP following changes in senior officers.

Improvement Recommendation 5

IR5: The Council should make arrangements to ensure that the results of the consultation completed with residents, business and the voluntary sector on priorities, as addressed within updates to council / corporate plan, is considered and reflected within the annual budget setting process.

Area for Improvement identified: Barriers to change

Key Finding: Within our previous AARs we identified that the new governance and decision-making processes were not fully understood by members. We raised a Key Recommendation on the need to commission a facilitator to work with members to identify barriers to change and delivery of a mandatory development programme.

Evidence: Following the LGA programme the governance structures and decision-making systems, along with roles and responsibilities required for an effective Executive and Leader model, have been subject to further review and implementation as part of the council's development.

Impact: As work is progressing we have concluded that this is no longer an area of Significant Weakness but have retained it as an Improvement Recommendation to ensure the effectiveness of the Leader and Executive Model can operate.

Improvement Recommendation 6

IR6: The Council should continue to work with members in addressing issues from the peer reviews and ensuring delivery of an effective Leader and Executive model.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>uses financial and performance information to assess performance to identify areas for improvement</p>	<p>The Council has continued to strengthen its performance and financial reporting arrangements in 2024/25. Quarterly performance reports are presented to the Executive, tracking 26 corporate KPIs and 36 strategic priorities using a RAG rating system. Targeted interventions, such as Performance Clinics and Partnership Steering Groups, are used to address underperformance in areas like sickness absence and recycling rates.</p> <p>The Council uses the Pentana system to manage performance data, supported by a Performance Management Framework and Data Quality Strategy. In response to our prior year recommendation, Internal Audit undertook a review of performance reporting and data quality, which received ‘substantial’ assurance. This confirms the reliability of the Council’s reporting processes and supports the closure of our previous recommendation.</p> <p>Financial performance is reported separately and in a timely manner. Benchmarking continues to inform financial planning. Following our 2023/24 recommendation, the Council has reviewed areas with high unit costs—such as parking and transport planning—and considered service changes and efficiencies. Although some proposals (e.g., new waste charges) were not implemented, benchmarking remains a key tool in strategic decision-making.</p>	<p>G</p>

- G No significant weaknesses or improvement recommendations.
- A No significant weaknesses, improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>evaluates the services it provides to assess performance and identify areas for improvement</p>	<p>In 2024/25, the Council continued to strengthen its use of cost and performance information to support service planning, transformation, and financial sustainability. Although no new external inspection or review took place during the year, the Council continued addressing the recommendations from the 2022 LGA Corporate Peer Challenge. For example, the review and refresh of the Council’s strategic plan, now extended to 2028 and renamed the Council Plan.</p> <p>Additionally, the Council engaged the LGA to support elected members in embedding the Leader and Executive governance model, and continues to monitor progress on transformation, housing delivery, and governance reform through established channels. As this work remains in progress and the outcomes of the LGA engagement are yet to be realised, we have concluded that this area continues to represent a weakness. Accordingly, we have therefore rated this criterion as Amber to follow up in 2025/26 and assess progress and raised an Improvement recommendation (Page 35).</p>	<p>A</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council: **Commentary on arrangements**

Rating

<p>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</p>	<p>The Council’s partnership working is broad and strategically embedded across its priorities. The refresh of the Council Plan 2025–2028 involved collaboration with health bodies, educational institutions, community organisations, and joint ventures such as PEARL and Town Deal Boards. These partnerships support regeneration, youth development, housing, and community wellbeing.</p> <p>The Council engages actively with stakeholders through initiatives like the Pendle Partnership Summit (Dec 2024), which brought together leaders from public, private, and voluntary sectors to align strategic goals and strengthen collaboration. Town Deal Boards provide regular updates to the Executive Committee, with detailed tracking of milestones, budgets, and community engagement. Projects such as Revitalised Nelson, Advanced Digital Skills, and Healthy Towns are progressing within budget, with flexibility to reallocate funds as needed.</p> <p>In 2024/25, the Council launched a public budget consultation for the 2025/26 financial year, inviting residents, businesses, and voluntary groups to share views on spending priorities, council tax levels, and savings ideas. The consultation was promoted via the Council’s website and local media. As such, this addresses previous concerns around stakeholder engagement in financial planning.</p> <p>However, assurance over delivery of health and wellbeing priorities is limited. While the Pendle Health & Wellbeing Action Plan (2024–2026) was approved and includes mechanisms for quarterly and annual reporting, we have not obtained evidence that these reports have been produced or shared. As such, we have raised one improvement recommendation to support the Council in its timely production and publication of all planned progress and annual reports for the Health & Wellbeing Action Plan. See page 34 for more details.</p>	<p style="text-align: center; font-size: 2em;">A</p>
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- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>commissions or procures services, assessing whether it is realising the expected benefits</p>	<p>The Council’s procurement and contract management show partial improvement but face persistent challenges. The Liberata UK contract, covering 25% of the council’s budget, remains critical. To reduce dependence on this contract, Property Services were brought in-house during 2023/24. While some KPIs improved—e.g., telephony abandonment rate dropped to 2.89% in June 2025—others like digital payments (37.36% vs 40% target) remain below expectations. Oversight is complex due to Liberata’s shared service model, though governance has improved via Executive Committee reporting and targeted training.</p> <p>Procurement processes are under review in 2025/26, with an internal audit planned. Governance of joint ventures, especially PEARL companies, has been strengthened following legal advice. Councillor-directors are now excluded from shareholder decisions to avoid conflicts of interest.</p> <p>Capital project monitoring reveals financial and delivery risks. The Colne Levelling Up Fund project rose from £6.5m to £8.2m due to Council contributions and relocation costs. The Pendle Rise Shopping Centre regeneration under the Nelson Town Deal faces £290k in unbudgeted costs, with a revised capital programme of £10.2m. Budget slippage totalled £23.59m in 2024/25, and delays persist despite extended deadlines. Overall, this criterion is rated Amber, due to improvement recommendations made from prior year still outstanding.</p>	<p>A</p>

- G No significant weaknesses or improvement recommendations.
- A No significant weaknesses, improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness

Area for Improvement: performance monitoring

Key Finding: The Council has not provided evidence that quarterly progress reports and the annual performance report for the Pendle Health & Wellbeing Action Plan (2024–2026) have been produced and submitted to the Partnership Board, despite these being identified as assurance mechanisms in the approved plan.

Evidence: The Action Plan, presented to the Executive on 31 October 2024, commits to quarterly and annual reporting to the Pendle Health & Wellbeing Partnership Board and sharing updates with the People of Pendle group.

No reports were provided nor evidenced.

Impact: Without evidence of these reports, there is limited assurance over delivery of health and wellbeing priorities, progress monitoring, and alignment with Integrated Care Board objectives. This reduces transparency and may weaken stakeholder confidence in governance and accountability arrangements.

Improvement Recommendation 7

IR7: The Council should ensure timely production and publication of all planned progress and annual reports for the Health & Wellbeing Action Plan.

These should be shared with the Partnership Board and made accessible to stakeholders (including via the Council’s website) to ensure it demonstrate transparency, accountability, and delivery against the identified strategic health priorities.

Grant Thornton insight

Applying Benchmarking Across Council Services

The Council could further enhance its performance improvement efforts by expanding the use of external benchmarking beyond financial metrics. Recent benchmarking exercises have proven valuable in identifying cost pressures; similar approaches could be applied to service quality, customer satisfaction, and operational efficiency. This could support a more holistic view of performance and help identify best practice across a wider range of service areas.

Grant Thornton insight

Strengthening monitoring of major capital programmes

To strengthen oversight of major capital programmes, such as Colne Levelling Up Fund (LUF) and Pendle Rise Shopping Centre projects, the Council could consider:

- Establishing a dedicated Capital Programme Board to oversee delivery, risks, and financial performance.
- Embedding Value for Money metrics and grant compliance tracking into routine capital monitoring.
- Enhancing scenario planning and early warning systems for cost and timescale risks.

Improving economy, efficiency and effectiveness

Area for Improvement: contract management

Key Finding:

The Council has made progress in implementing the 2022 LGA Corporate Peer Challenge recommendations, including refreshing its strategic plan and engaging the LGA to support governance reform. However, full implementation of key actions—such as embedding the Leader and Executive governance model, completing transformation milestones, and delivering housing priorities—remains outstanding. These actions are critical to achieving the Council’s strategic objectives and improving governance effectiveness.

Evidence:

- Corporate Plan: Strategic plan refreshed and extended to 2028, renamed Council Plan. Alignment with LGR and Devolution considerations .
- Governance Reform: LGA engagement initiated to support councillors in embedding the Leader and Executive model; barriers identified and tailored support provided (VFM24). Outcomes not yet fully realised.
- Transformation Programme: Embedded in Council Plan 2025–2028; most actions scheduled for completion by March 2026 .
- Housing Delivery: Local Plan Part 2 progressing; consultation pending. Housing priorities integrated into Council Plan; key actions due by March 2026

Impact:

Without full implementation of these recommendations, there is a risk that governance arrangements may not be fully embedded, leading to unclear roles and accountability. Also, transformation and housing delivery objectives may be delayed, impacting service improvement and financial sustainability. Finally, strategic priorities may not be achieved within planned timelines, reducing public confidence and organisational resilience.

Improvement Recommendation 8

IR8: The Council should ensure timely completion of outstanding actions from the 2022 LGA Corporate Peer Challenge, with clear evidence of outcomes. Specifically:

Fully embed the Leader and Executive governance model, supported by measurable improvements in decision-making and accountability.

Deliver transformation and housing milestones as set out in the Council Plan 2025–2028, and report progress transparently through governance channels.

05 Summary of Value for Money Recommendations raised in 2024/25

Key recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p>KR1</p> <p>The Council should prepare and agree short and medium-term plans to close its budget gap by generating savings and not making major reliance on reserves. The preparation of plans should include taking decisions regarding future years before the budget setting Council.</p>	<p>Financial sustainability (pages 15 – 20)</p>	<p>Actions: Partially Implemented – The Council has in place a robust medium term financial planning process focused on setting out the medium term financial position of the Council. This is to inform the Financial Strategy which is based around the ‘Grow, Charge, Save and Stop’ model intended to identify, in a strategic manner, ways in which the Council can achieve a balanced budget over the medium term. This Strategy must, however, be considered alongside a strategy to use reserves to ‘smooth’ the impact of continuing budget reductions faced by the Council.</p> <p>Some efforts have been made to identify and bring forward ways in which the Council can balance its budget over the medium term with proposals considered by an All-Party Budget Working Group, which meets on a regular basis. It is reasonable to say that there is still work to do in this area hence partial implementation of this recommendation. This further work will take place early in the new financial year with a view to strengthening the medium term financial planning process, challenging the Council’s base budget provisions, refining the strategy for the use of reserves and, where it is necessary to do so, bringing forward proposals as necessary to bridge the funding gap.</p> <p>Responsible Officer: Director of Resources</p> <p>Due Date: 30th September 2026</p>

Key recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p>KR2</p>	<p>The Council should ensure implementation of the independent legal advice on its relationships with and governance of its joint venture companies to ensure that all aspects of the governance of the companies are sufficiently robust and compliant with the law relating to local government and companies. The Council should also implement any recommended changes to governance arrangements in relation to the companies.</p>	<p>Governance (pages 21 – 29)</p>
		<p>Actions: Implemented. The Council has obtained independent legal advice (from Anthony Collins LLP) on its relationships with and governance of its joint companies. The result of this advice was changes to the Council’s governance of the joint ventures to make clear the Council’s role as shareholder and how conflicts of interest are managed.</p> <p>The outcome of this work was reported to the Executive in August 2025 where it was resolved:</p> <ol style="list-style-type: none"> 1. the Executive will exercise the shareholder function in relation to the Council’s joint venture companies; 2. all Councillors who are directors of the Council’s joint venture companies, register their directorship as other registrable interests under provisions of the Council’s model Councillors Code of Conduct; 3. all Councillors who are directors of the Council’s joint venture companies appropriately declare their interests at all relevant council meetings and comply with the Code as regards their not participating in discussions and voting on matters in which they have declared an interest. <p>Responsible Officer: Director of Resources</p> <p>Due Date: Implemented</p>

Key recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p>KR3 The Council should urgently implement the actions identified by Internal Audit to address fundamental weaknesses identified in the Council's information governance processes to maintain the confidentiality, integrity and availability of personal identifiable data that the Council processes and holds</p>	<p>Governance (pages 21 – 29)</p>	<p>Actions: Partially Implemented – The Council has made significant progress with the implementation of the actions raised by Internal Audit, and which form the basis of this key recommendation.</p> <p>The Council is in the process of recruiting an Information Governance Officer to lead and co-ordinate this activity across the Council. Work to update the Record of Processing Activity and Information Asset Register is complete and is in the process of being rolled out across services so that they can be maintained as appropriate.</p> <p>Further work is required on the remaining recommendations and this will form part of the Council's work programme in the next 6 months.</p> <p>Responsible Officer: Director of Resources</p> <p>Due Date: 30th September 2026</p>
<p>KR4 The Council should complete a focussed independent legal review on the consistency, costs and efficiency of its existing planning process and the potential future impacts of continuing with the area committee structure, and in particular the level of ongoing cost for supporting the arrangements.</p>	<p>Governance (pages 21 – 29)</p>	<p>Actions: Implemented – The Council has obtained a focused independent legal review on the consistency, costs and efficiency of its existing planning process and the potential future impacts of continuing with the area committee structure and in particular the level of ongoing cost for supporting the arrangements. This report was consider by Council at its meeting in December 2025 where it was resolved.</p> <ol style="list-style-type: none"> 1. accepts the recommendations made in the Independent review of the Council's Planning function as set out in the submitted report at Appendix A; and 2. that Officers be requested to implement the recommendations, with any decisions necessary on the matters raised being subject to the Council's normal governance processes. <p>Responsible Officer: Chief Executive</p> <p>Due Date: Implemented</p>

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	The Council should ensure it remains focussed on budget monitoring given the number of potentially variable budgets.	Financial sustainability (pages 15 – 20)	<p>Actions: Implemented – As is best practice, the Council undertakes budget monitoring on a monthly basis, with quarterly budget monitoring reports produced for the Council’s Executive.</p> <p>These reports comprise both revenue and capital budget monitoring information and provide a detailed analysis of the major variances on both Funds. Information is also provided on progress made with the implementation of the agreed savings.</p> <p>Responsible Officer: Director of Resources</p> <p>Due Date: Implemented</p>
IR2	The Council should ensure a range of scenario and sensitivity analysis is carried out as part of the MTFP work	Financial sustainability (pages 15 – 20)	<p>Actions: Implemented – As part of the medium term financial planning undertaken by the Council, scenario and sensitivity analysis is carried out using some of the major variable in the Council’s budget plans. These include both income (levels of government funding, Council Tax, income generation) and expenditure (pay award, pension contribution rates and specific areas of spending that are subject to volatility from one year to the next).</p> <p>The results of this sensitivity and scenario planning are reported to Councillors as part of updates on the Council’s Financial Strategy and Medium Term Financial Planning so that they have some understanding of the possible scenarios and risks facing the Council.</p> <p>Responsible Officer: Director of Resources</p> <p>Due Date: Implemented</p>

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR3	The Council should update its Strategic Risk Register in line with best practice to include the identification and documentation of gaps in assurance for each risk.	Governance (pages 21 – 29)	<p>Actions: Implemented – The Council’s Strategic Risk Register has been updated in line with best practice to include the identification and documentation of gaps in assurance for each risk.</p> <p>Responsible Officer: Director of Resources</p> <p>Due Date: Implemented.</p>
IR4	The Council should further improve its counter-fraud approach by ensuring by providing an ongoing update report on activities to prevent and detect fraud to each meeting of the Accounts and Audit Committee	Governance (pages 21 – 29)	<p>Actions: Partially Implemented – The Council has engaged Merseyside Internal Audit Agency (MIAA) to support the Council with a refresh of its Anti-Fraud, Theft and Corruptions Policies and Strategies</p> <p>Responsible Officer: Director of Resources</p> <p>Due Date: 30th June 2026</p>
IR5	The Council should make arrangements to ensure that the results of the consultation completed with residents, business and the voluntary sector on priorities, as addressed within updates to council / corporate plan, is considered and reflected within the annual budget setting process.	Governance (pages 21 – 29)	<p>Actions: Implemented – The Council did undertake consultation in its Budget and Council Tax in advance of the setting of the budget for 2025/26. The outcome of this consultation exercise was distributed to all Council Members prior to the Budget Council Meeting.</p> <p>A further consultation informing the development of the Council’s Budget and Council Tax has been undertaken in advance of the setting of the budget for 2026/27. At the time of writing, the consultation was underway and details of the outcome will be included in the budget reports to Councillors in due course.</p> <p>Responsible Officer: Director of Resources</p> <p>Due Date: Implemented.</p>

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR6	<p>The Council should continue to work with members in addressing issues from the peer review and ensuring delivery of an effective Leader and Executive model.</p>	<p>Governance (pages 21 – 29)</p>	<p>Actions: Not to be Implemented – The Leader/Executive model of Council governance has been in place since May 2018 and whilst there appear to have been some challenges with the operation of this arrangement that were highlighted during the Corporate Peer Challenge, those challenges appear to have receded; the Leader/Executive model does appear to be operating effectively.</p> <p>As a consequence, and contrary to the initial proposal to seek the support of the Local Government Association on this matter, the Council’s Interim Chief Executive considered this unnecessary in the circumstances and consequently decided that seeking external support would not add value.</p> <p>Responsible Officer: Chief Executive</p> <p>Due Date: Not to be implemented</p>
IR7	<p>The Council should ensure timely production and publication of all planned progress and annual reports for the Health & Wellbeing Action Plan.</p> <p>These should be shared with the Partnership Board and made accessible to stakeholders (including via the Council’s website) to ensure it demonstrate transparency, accountability, and delivery against the identified strategic health priorities.</p>	<p>Improvement economy, efficiency and effectiveness (pages 30 – 35)</p>	<p>Actions: Accepted and to be Implemented – Whilst the production of progress and annual reports is a discretionary matter for the Council, this improvement recommendation is accepted and will be implemented for 2025/26. At the same time, the Council is to review its role in the Pendle Health and Wellbeing Board, and the production of the plan, which remains an activity that requires the involvement of a range of partners across a range of organisations, health and otherwise. This is likely to mean that the Council’s present secretarial and administrative role in producing reports transfers to another partner within the Partnership Board.</p> <p>Responsible Officer: Director of Resources</p> <p>Due Date: 30th September 2026</p>

Improvement recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p data-bbox="191 494 889 636">The Council should ensure timely completion of outstanding actions from the 2022 LGA Corporate Peer Challenge, with clear evidence of outcomes. Specifically:</p> <ul data-bbox="191 661 889 975" style="list-style-type: none"> <li data-bbox="191 661 889 803">• Fully embed the Leader and Executive governance model, supported by measurable improvements in decision-making and accountability. <li data-bbox="191 828 889 975">• Deliver transformation and housing milestones as set out in the Council Plan 2025–2028, and report progress transparently through governance channels. 	<p data-bbox="912 644 1136 825">Improvement economy, efficiency and effectiveness (pages 30 – 35)</p>	<p data-bbox="1154 365 2435 546">Actions: Partially Implemented - The Corporate Peer Challenge (CPC) was undertaken in February 2022. A range of recommendations were made by the Peer Team. As is normally the case with a CPC, these recommendations were subject to a Progress Review in December 2022 where it was found that some progress had been made with the implementation of recommendation but there was further work to do.</p> <p data-bbox="1154 571 2435 714">Given the passage of time and changes in both the political and officer leadership of the Council, some of the recommendations raised by the Peer Team are no longer relevant. That said, a full review of the recommendations will be undertaken to determine whether any further actions are required.</p> <p data-bbox="1154 738 2435 995">The transformation and housing milestones form part of a wider range of actions set out in the Council Plan for 2025/28. A refresh of the Council Plan is currently underway recognising that Local Government Reorganisation is likely to require specific focus and capacity, particularly once a decision is taken on the form of Unitary Local Government in Lancashire. The delivery of actions in the Council Plan, once agreed, will be overseen by the Council’s Corporate Leadership Team with regular reports, as now, to the Council’s Executive.</p> <p data-bbox="1154 1019 1671 1048">Responsible Officer: Chief Executive</p> <p data-bbox="1154 1072 1615 1100">Due Date: 30th September 2026</p>

06 Follow up of previous Key Recommendations

Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR1	The Council should urgently prepare and agree short and medium-term plans to close its budget gap by generating savings and not making major reliance on reserves. The preparation of plans should include taking decisions regarding future years before the budget setting Council meetings	2023/24	The Council’s medium-term plans developed include measures to close its budget gap through savings, but continue to place reliance on reserves over the medium term	Limited progress made	Recommendation restated
KR2	The Council should <ul style="list-style-type: none"> i) review the work required from key financial staff including taking account of <ul style="list-style-type: none"> a) further work needed on the accounts for 2023/24 to prevent the 2024/25 audit overrunning b) the 2024/25 audit work itself c) budget work and ii) prioritise providing the resources necessary to deliver this work 	2023/24	The Council has made amendments to its resourcing and, as a result, completed the preparation of the draft financial statements. The 2024-25 statements prepared and published in line with the Statutory timetable.	Implemented in full	No further action

Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR3	The Council should commission a suitably qualified facilitator to work with members to identify any barriers to completing the change from a Committee system to the Leader and Executive model successfully. Based on that advice, the Council should commission the delivery of a mandatory development programme for all members, covering roles and responsibilities, accountability and effective leadership behaviour, within the Executive and Leader model.	2023/24	The Council made progress in implementing the 2022 LGA Corporate Peer Challenge recommendations. However, full implementation of key actions, such as embedding the Leader and Executive governance model, completing transformation milestones, and delivering housing priorities – remains in progress	Progress made, although effectiveness still to be considered fully.	Recommendation restated, although in view of the progress made in addressing this has been revised to an Improvement Recommendation.
KR4	The Council should commission independent legal advice on its relationships with and governance of its joint venture companies, PEARL, PEARL 2, PEARL Brierfield Mill and PEARL Together, to ensure that all aspects of the governance of the companies are sufficiently robust and compliant with the law relating to local government and companies. The Council should then implement any recommended changes to governance arrangements in relation to the companies.	2023/24	The Council has commissioned an external advisor to assist with improvements and a report on the findings has been taken to committee. However, the revised approach has not been implemented in 2024-25.	Partially addressed but actions not fully implemented in year.	Recommendation restated.

Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR5	The Council should urgently implement the actions identified by Internal Audit to address fundamental weaknesses identified in the Council's information governance processes to maintain the confidentiality, integrity and availability of personal identifiable data that the Council processes and holds	2023/24	The Council continues to report its progress against all Internal Audit recommendations. However, the implementation of changes in respect of the actions identified from this review has been delayed and remain outstanding.	Not implemented	Significant weakness and key recommendation to be repeated.
KR6	The Council should commission a focussed independent legal report on the consistency, costs and efficiency of its planning process and the potential future impacts of continuing with the current arrangements.	2023/24	The council has continued to consider issues around the consistency, costs and efficiency of its planning process but has not, to date, planned for any changes to be made.	Not implemented	Significant weakness and key recommendation to be repeated.

07 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 Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer 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: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council’s Value for Money arrangements

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council’s arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor’s professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.



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

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council’s arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	The Council should ensure it remains focussed on budget monitoring given the number of potentially variable budgets.	2023/24	The Council complete monthly revenue monitoring meetings with each service head alongside quarterly reporting to members. Financial updates, including capital monitoring are included in quarterly Corporate Management Team performance clinic reviews	Recommendation has been implemented and is therefore removed.	None required
IR2	The Council should put into place arrangements to report to members on the progress in the achievement of savings on a quarterly basis	2023/24	Members now received quarterly updates on the projected outturn, including details of the position on planned savings and income generation. All budget monitoring matters are presented to the Executive	Recommendation has been implemented and is therefore removed.	None required
IR3	The Council should ensure a range of scenario and sensitivity analysis is carried out as part of the MTFF work	2023/24	The most recent MTFP (February 2025) did not include a scenario and sensitivity analysis. The council is in the process of updating its MTFP for the coming periods and this will include consideration of scenarios and some sensitivity analysis.	An updated improvement recommendation has been included on Page 20	Fully implement actions to address the updated Improvement recommendation.
IR4	The Council should update its Strategic Risk Register in line with best practice to include:- mapping of risks to strategic objectives so there is clarity over how risk may impact the delivery of these objectives;- identification and documentation of gaps in assurance for each risk; and - an assessment of likelihood and impact for each risk.	2023/24	During the year the Council has made some improvements to its Strategic Risk Register, with an inclusion of links to corporate priorities. The register has yet to be updated for the other identified improvements.	An updated improvement recommendation has been included on Page 28	Fully implement actions to address the updated Improvement recommendation.

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR5	The Council should improve its counter-fraud approach by reporting on activities to prevent and detect fraud to the Accounts and Audit Committee.	2023/24	The Council has prepared an annual plan for work on Fraud & Corruption which has been presented to the Accounts and Audit committee. However, there has been no ongoing reporting on progress or work delivered against that plan.	An updated improvement recommendation has been included on Page 28	Fully implement actions to address the updated Improvement recommendation.
IR6	The Council should make arrangements to consult with residents, business and the voluntary sector on budget priorities	2023/24	The Council launched a budget consultation for the 2025/26 financial year, inviting input on spending priorities, council tax levels, and ideas for savings. In addition it completed a survey with residents and businesses on corporate priorities, with amendments in the process of being present to members. However, the consultation it is not yet clear how these feed into the Councils budget and MTFP.	An updated improvement recommendation has been included on Page 29	Fully implement actions to address the updated Improvement recommendation.
IR7	The Council should (before and after it concludes its decision on its approach to joint Ventures) include a paragraph in its quarterly budget monitoring that discusses any financial impacts expected in the year or future years as a result of the Council's involvement with joint Ventures.	2023/24	The Council has, as part of its overall review of its governance around Joint Ventures, updated its member quarterly monitoring to include details of financial impacts associated with the Joint Ventures.	Recommendation has been implemented and is therefore removed.	None required

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR8	The Council should review their current meeting arrangements to reflect the constitutional positions of the roles of the Leader and Deputy Leader of the Council in a shared administration.	2023/24	The Council has considered the meeting arrangements and, as previously identified issues are no longer assessed as recurring, have not made any amendments.	Recommendation has been reviewed and assessed and is therefore removed.	None required
IR9	The Council should identify, manage and mitigate risks arising from its relationships with its four joint venture companies, PEARL, PEARL 2 , PEARL Brierfield Mill and PEARL Together, in the same way that it does risks arising from its own financial and strategic plans and operations.	2023/24	The Council has sought external advice on how to improve its arrangements in respect of the Joint Ventures and this has recently been presented to Members. This has yet to be fully implemented and actions identified to improve the risk management and governance in respect of the Joint Ventures remain outstanding.	An updated improvement recommendation has been included on Page 29	Fully implement actions to address the updated Improvement recommendation.
IR10	The Council should review its Members' Code of Conduct to ensure it conforms to the standards set out in the LGA model Members' Code of Conduct and gives clear guidance on members' duties and responsibilities in relation to conflicts of interest. The Council should also revise its member/officer protocol in line with the new Code of Conduct. The member/officer protocol should also include details of the statutory powers and duties of the Chief Executive, S151 Officer and Monitoring Officer.	2023/24	Code of conduct has been subject to detailed review and update, with the amendment being reported to Committee. The Constitution has also been amended to reflect the statutory powers.	Recommendation has been implemented and is therefore removed.	None required

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR11	<p>The Council should improve its performance reporting by:</p> <ul style="list-style-type: none"> - ensuring financial performance is reported alongside non-financial performance, either through the use of an integrated performance report or by ensuring that separate financial and non-financial reports are presented at the same meeting. - ensuring performance reports make clear when the data reported is from and that performance is reported as near to real-time as possible. 	2023/24	While financial and non-financial performance continue to be reported separately, this aligns with common practice across the sector. The performance reports are presented within a standard timeframe, consistent with other councils. Although there is scope to improve around integration of reporting, current arrangements are broadly effective and do not indicate a significant weakness.	Recommendation has been implemented and is therefore removed.	None required
IR12	The Council should consider unit costs and where these benchmark high, to consider if this provides an opportunity for service changes, improvement or efficiency	2023/24	We found no evidence of new external benchmarking undertaken in 2024/25, rather internal benchmarking and previous external data have been used to inform service reviews and budget decisions. High-cost areas are considered during budget setting, and benchmarking insights have supported operational changes.	Recommendation has been implemented and is therefore removed.	None required



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