

Pendle Borough Council

Auditor's Annual Report for the
year ended 31 March 2024

January 2025



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

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



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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Introduction



Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Pendle Borough Council (the Council) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

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

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

Responsibilities of the appointed auditor

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 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- 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.

Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

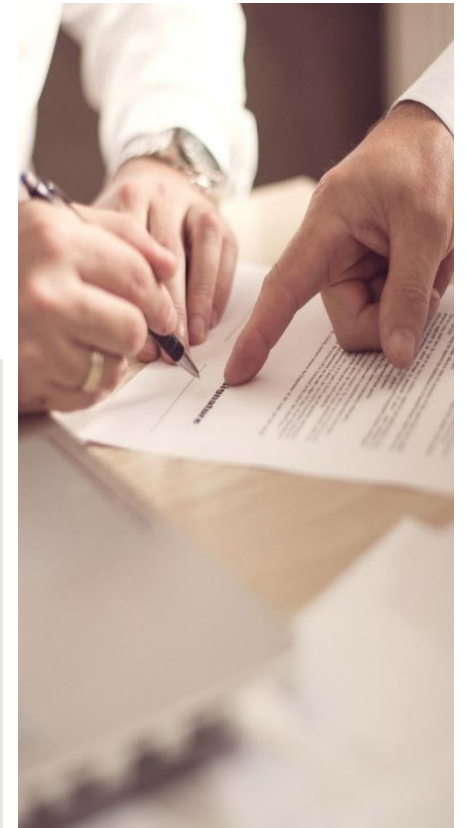
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 11 with a commentary on whether any of these powers have been used during this audit period.



Executive summary



Executive summary

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The NAO has consulted and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year (30 November) and for the audited body to publish the Report thereafter. These new requirements will be introduced from November 2025. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible. Our summary findings are set out below. Our recommendations and management responses are summarised in the section starting on page 31.



Financial sustainability

The Council has been experiencing high inflationary pressures and will need to accommodate in its planning for future years pressures on temporary accommodation and reduced interest earnings. 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 16. We have also made three Improvement Recommendations. Two of the four recommendations raised in this area, including the Key Recommendation were raised in last year's Auditors Annual Report (AAR).



Governance

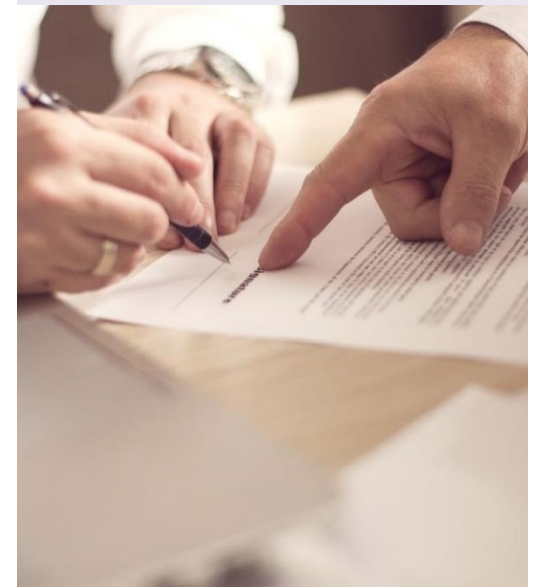
We have identified evidence of Significant Weaknesses within the arrangements in place, around decision-making, the planning process, arrangements for the Council's relationship with its Joint Venture companies, the Council's capacity and its information governance and raised five Key Recommendations.

Decision Making - a Significant Weakness was reported in last year's AAR. Our findings at the time were that the new governance and decision-making processes are not fully understood by members and that the behaviour of some members towards each other and officers has fallen short of the standards that members have set for themselves. 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 the Leader and Executive model successfully and that the Council should deliver a mandatory development programme for all members. This work is not complete so the Significant Weakness and Key Recommendation, on page 21, remain.

Joint Ventures - a Significant Weakness was reported in last year's AAR. The weaknesses in the Council's arrangements with its joint venture companies included potential non-disclosure of conflicts of interest, legal agreements that are not up to date and a lack of clarity re roles. We raised a Key Recommendation that 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. This work is not complete so the Significant Weakness and Key Recommendation, on page 22, remain.



The Council's 23/24 accounts will be back stopped. The Council's accounts were not produced in sufficient time for an audit to be carried out and concluded prior to the back stop date for 23/24 audits of 28 February 2025.



Executive summary



Governance (continued)

Planning Process - a Significant Weakness was reported in last year's AAR . We reported that the arrangements for determining planning applications were inconsistent. Area Committees have granted planning permission against the Council's policies. This has resulted in appeals and has generated avoidable costs and delays on development. 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 . This work is not complete so the Significant Weakness and Key Recommendation, on page 24, remain.

For the Significant Weaknesses that were also highlighted last year we will follow up to assess progress in 2024/25 and will consider whether use of our statutory audit powers is appropriate at that stage dependent on the progress made.

Capacity – the Council has not produced the 2023/24 accounts for audit. The deadline for the production of draft accounts for 2023/24 was 31 May 2024. The Council's 2023/24 accounts will therefore be back stopped. The Council's accounts were not produced in sufficient time for an audit to be carried out and concluded prior to the back stop date for 2023/24 audits of 28 February 2025. We have been advised that this is because of capacity issues within the finance team. It is imperative that the Council address these capacity issues so they are able to produce accounts to the required timetable. This is a Significant Weakness and a Key Recommendation has been raised on page 21.

Information governance - the Council has a Significant Weakness. Internal audit identified in July 2024:

- 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.

The work to remedy this remains outstanding and a Key Recommendation has been made on page 23 that the Council should address this.

As well as the Key Recommendations we have also made seven Improvement Recommendations. Seven of the twelve recommendations raised in this area, including three of the Key Recommendations were raised in last year's AAR.



Improving economy, efficiency and effectiveness

We have not identified evidence of Significant Weaknesses within the Council's arrangements in place for monitoring of performance, commissioning and procurement and partnerships. We have made two Improvement Recommendations.

Executive summary (continued)

Overall summary of our Value for Money assessment of the Council's arrangements

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2023/24 is the fourth year that these arrangements have been in place.

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. A summary of our judgements are set out in the table below.

Criteria	2022/23 Auditor judgement on arrangements	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements	Direction of travel
Financial sustainability	R Significant Weakness in arrangements identified and one Key Recommendation and four Improvement Recommendations made	Risk of Significant Weakness identified due to their being gaps between future spending and income necessary savings not identified	R A Significant Weakness in arrangements for financial sustainability was identified and a Key Recommendation made. We also raise three Improvement Recommendations. These are discussed on pages 16 to 17.	↔
Governance	R Significant Weakness in arrangements identified and three Key Recommendations and four Improvement Recommendations are made.	Risk of Significant Weakness identified regarding planning process, transition to new decision making model and joint ventures.	R Significant Weakness in arrangements around decision-making, the planning process, arrangements for the Council's relationship with its Joint Venture companies, the Council's finance team capacity and its information governance were identified, and five Key Recommendation made. We also raise seven Improvement Recommendations. These are discussed on pages 21 to 26.	↔
Improving economy, efficiency and effectiveness	A No Significant Weaknesses in arrangements identified but one Improvement Recommendation made	No risk of Significant Weakness identified at the planning stage.	A No Significant Weaknesses in arrangements identified, but two Improvement Recommendation have been made. These are discussed on page 29.	↔

G No Significant Weaknesses in arrangements identified or Improvement Recommendation made.

A No Significant Weaknesses in arrangements identified, but Improvement Recommendations made.

R Significant Weaknesses in arrangements identified and Key Recommendations made.

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



Opinion on the financial statements



Audit opinion on the financial statements

We issued our audit plan on 16 July 2024 where we outlined our audit timeline for the 2023/24 financial statements audit. We were scheduled to begin our final audit at the end of September however, at the time of writing (December 2024) we are yet to receive draft financial statements for 2023/24 from management so are unable to commence our audit.

Accounts were due to be published in draft form by 31 May 2024. It should be noted that the Ministry of Housing, Communities & Local Government has put in place proposals to bring local audit on track and legislation has been passed to enact a backstop date for the financial statements for the year ended 31 March 2024 to be audited by 28 February 2025.

The Council published its 2023/24 financial statements for 2023/24 on 13 January 2025. At that point, the remaining timescale for completion of the audit of the financial statements by 28 February 2025 was not viable. Therefore the 2023/24 financial statements will be back stopped and a disclaimer opinion issued.

Use of auditor's powers

We bring the following matters to your attention:

2023/24

Statutory recommendations

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

We did not make any recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

Public Interest Report

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

We did not issue a public interest report.

Application to the Court

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

We did not make an application to the Court.

Advisory notice

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

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

We did not issue any advisory notices.

Judicial review

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

We did not make an application for judicial review.

Value for Money Commentary on arrangements



The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023/24 and make recommendations where any Significant Weaknesses or improvement opportunities in arrangements have been identified.



National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

For Housing Revenue Accounts, inflation in recent years led to cost increases often outstripping rent rises. In the coming years, new legal duties on landlords are expected to increase costs further, without there necessarily being any additional funding to cover the new costs. At the same time, high construction prices are making it harder for councils to invest in the new accommodation which might have helped make savings in the revenue account, for example on temporary accommodation and homelessness. Housing Revenue Accounts are under further pressure due to regulatory challenges in housing quality in the light of national issues in respect of cladding and damp/mould issues.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of a section 114 risk;
- Twenty councils being with government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these councils had previously issued a section 114 notice.; and
- The Local Government Association warning that councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. The general election that took place on 4 July 2024 led to a change in government, and changes to government policy and legislation relating to the sector are emerging at the time of producing this report. The Chancellor's Budget on 30 October 2024 confirmed the Government's plans for greater devolution in England and confirmed a real terms increase in core spending power to local government for 2025/26 of 3.2%. Including an increase in grant of £1.3 billion. The Chancellor also announced £1 billion additional funding for SEND, an additional £2.3 billion for schools, and councils will be able to use the full amount of capital receipts from right to buy sales. The detail of what the Chancellor's announcement means for individual councils will become clearer when their provisional finance settlement for 2025/26 is confirmed by the Government in December 2024



Local context

Pendle Borough Council (the Council) was created on 1 April 1974 as part of local government reorganisation of local government in England. It is a district council in east Lancashire, on the southern edge of the Yorkshire dales and in an Area of Outstanding Natural Beauty.

The Council has elections in three of every four years, and has 33 councillors being elected at each election. It has frequently been under no overall control.

The Borough has a population of 95,758 (2021 census) and according to ONS data is the happiest place to live in east Lancashire. Pendle is the 36th most deprived area out of 317 districts and unitary authorities in England. Life expectancy in Pendle is lower than the national average. Males in Pendle are expected to live to the age of 78, whilst females are expected to live to the age of 81.

There are 2,965 businesses in Pendle - 89% of the approximately 3,000 businesses in Pendle are micro-businesses (up to nine employees) and approximately 30% of jobs in Pendle are in manufacturing .

Financial sustainability



We considered how the audited body:

Commentary on arrangements

Assessment

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

The Council, like most in the sector, has been experiencing high inflationary pressures on its spending, and more recently pressures on temporary accommodation costs. For the budget set for 2024/25 the Council received a 9% increase in Government grant and assumed a 4.7% in yield from Council Tax and increases in interest earnings.

In 2025/26 and later years the Council will need to take action to contain or build into its budgets rising temporary accommodation costs, as well as reducing agency costs where this is possible and ensuring that the medium-term budget reflects likely interest earnings.

The Council does take account of the context and risks in its situation and whilst the position over time is potentially supported by the availability of reserves the Council will need to feel secure in its 2024/25 forecast of income, its savings position and its forecasting of interest earnings (given expectations of rates falling over the medium term) before it can rely on the identified budget gap figures.

In our AAR for 2022/23 we identified a Significant Weaknesses with regard to financial sustainability and this remains in place for 2023/24. Last year's Significant Weakness highlighted that the Council needed to show savings beyond one year and the Council's plans still do not include clarity on savings for years after the one that the budget is being set for.

As a result, a Key Recommendation is made that the Council should urgently prepare and agree short and medium-term plans to close its budget gap by generating savings and efficiencies and not relying on reserves which is unsustainable. The preparation of plans should include taking decisions regarding future years before the budget setting Council, **in line with the Key Recommendation made last year.**

As well as the focus on medium term planning it is important given the number of potentially large budget variations that the Council maintains its focus on budget monitoring in-year and an Improvement Recommendation is made that they should do this.

R

- G** No Significant Weaknesses in arrangements identified or Improvement Recommendation made.
- A** No Significant Weaknesses in arrangements identified, but Improvement Recommendations made.
- R** Significant Weaknesses in arrangements identified and Key Recommendations made.

Financial sustainability (continued)

We considered how the audited body:	Commentary on arrangements	Assessment
plans to bridge its funding gaps and identifies achievable savings	<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 proposed sufficient savings such that it made a relatively small use of reserves, though there are now budget pressures in year which means that an overspend is forecast, and there is still a budget gap for future years. The budget gap in future years is identified at £1.45m in 2025/26, 9% of net revenue expenditure, and £0.85m in 2026/27, 5% of net revenue expenditure.</p> <p>In last year's AAR we recommended that the Council monitor the delivery of savings. This has not yet been introduced. This Improvement Recommendation is therefore retained.</p>	A
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The Council's MTFF and the processes supporting it reflect the Council's Corporate Plan which was agreed in December 2023. The Plan 2023-27 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>	G
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>The Council's financial plans were consistent with other key plans that the Council produces.</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 been discharged.</p> <p>The Council's Treasury Strategy for 2023/24 was aligned with the capital programme, and the interest and principal (through the Minimum Revenue Provision (MRP)) repayments are reflected in the revenue budget. The Council has reviewed its MRP policy to move to an annuity method and made a change to this. The Council had clear policies for treasury management and has reviewed 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>	G

- G No Significant Weaknesses in arrangements identified or Improvement Recommendation made.
- A No Significant Weaknesses in arrangements identified, but Improvement Recommendations made.
- R Significant Weaknesses in arrangements identified and Key Recommendations made.

Financial sustainability (continued)



We considered how the audited body:

Commentary on arrangements

Assessment

identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The financial monitoring reports presented to Cabinet on a quarterly basis give commentary on variations, and actions to be taken. The reports included forecasts of the current expected position and some information on proposed mitigating actions. The reports deal with the key issues that face the Council by, for example, discussing energy costs, the Liberata contract and most recently temporary accommodation costs. Careful monitoring will continue to be needed, as discussed on page 17.

The Council has committed its reserves to balancing the budget over time pending agreement on savings. This means that forecast overspending increases the need for and urgency of finding savings because the level of reserves supporting the Council's current approach are reducing and over time this is not sustainable.

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 in the February 2024 budget, though there was a narrative discussion of factors. An Improvement Recommendation is made that the Council carry out more work on scenarios in its next financial planning cycle.

A

- G** No Significant Weaknesses in arrangements identified or Improvement Recommendation made.
- A** No Significant Weaknesses in arrangements identified, but Improvement Recommendations made.
- R** Significant Weaknesses in arrangements identified and Key Recommendations made.

Financial sustainability (continued)



Significant Weakness identified

Financial Sustainability

Our 2022/23 AAR 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. This has led to uncertainty up till the day of the Council budget setting meeting in February 2024 as to which specific proposals might go ahead, with savings generally only being agreed for 2024/25 (Figure 2) and a higher use of reserves than in the budget proposed by Executive (Figure 1). The financial settlement for the 2024/25 budget is a little more favourable than usual and the Council has a small window of opportunity to shift its planning process to look at more years of savings.

Based upon the evidence we have reviewed, we are not satisfied that the Council has proper arrangements in place to ensure there is an appropriate plan in place to manage the short to medium term financial risks facing the Council which presents a Significant Weakness in arrangements to deliver financial sustainability. We have therefore raised a Key recommendation.

Earmarked Reserves at 31 March/£m

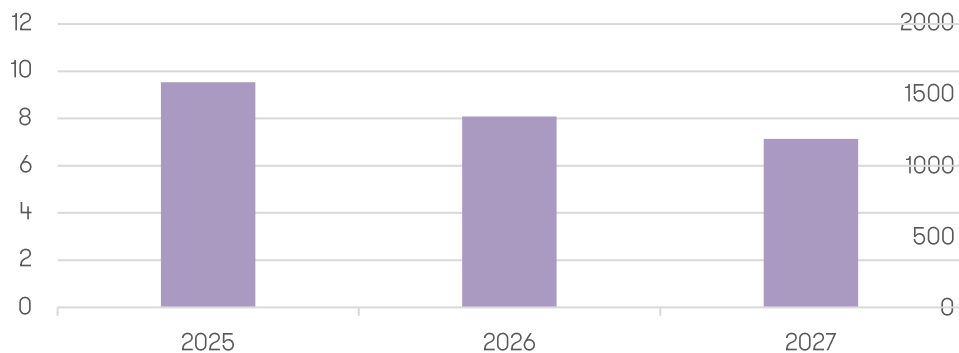


Figure 1 Pendle Council Reserves

Savings requirement/£000

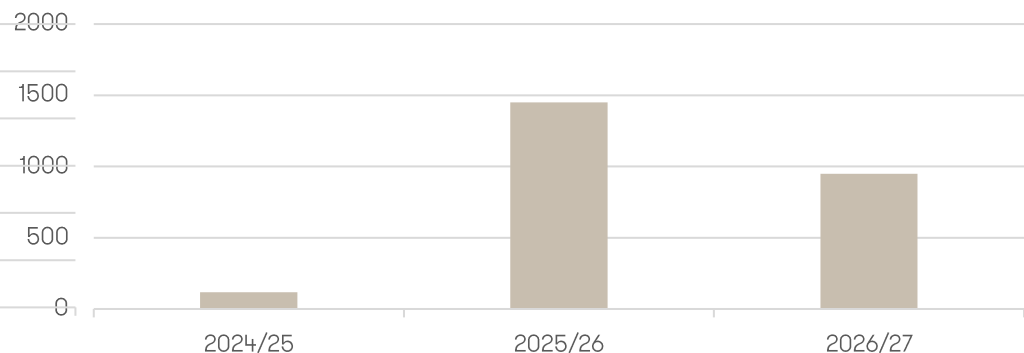


Figure 2 Pendle Council Savings Requirement

Key Recommendation 1: 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.

Financial sustainability (continued)



Areas for improvement

Budget monitoring

The Council has a number of categories of spend and income in its budget that require careful monitoring - agency staff costs, temporary accommodation costs and interest earnings, as well as some large capital projects. Given the Council's capacity issues raised on page 6 the Council should ensure that it also gives sufficient attention to this work as the information from this underpins the assumptions made in the medium term financial planning. Based upon the evidence we have reviewed, we have concluded that the Council's finances are at risk if the Council do not carry out financial monitoring accurately and as such we have raised an Improvement Recommendation.

Improvement Recommendation 1: The Council should ensure it remains focussed on budget monitoring given the number of potentially variable budgets.

Monitoring of Savings

The Council need to make savings to balance its budget and identifies savings as part of its budget process, which are agreed at Full Council. The Council does not monitor the delivery of these savings during the financial year. This makes taking corrective action to keep savings on track and learning from less successful proposals more difficult. Based upon the evidence we have reviewed, we have concluded that the Improvement Recommendation from last year should be retained.

Improvement Recommendation 2: The Council should put into place arrangements to report to members on the progress in the achievement of savings on a quarterly basis

Scenarios in Budget Planning

In the 2020/21 AAR it was 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 and that the Council should also report to management any alternative proposals. The Council did include some work of this nature in the budget setting papers in February 2023 but have not shown details of this in the papers in February 2024. Members should be given a broader understanding of the range of possible financial situations and options available to them.

Improvement Recommendation 3: The Council should ensure a range of scenario and sensitivity analysis is carried out as part of the MTFF work

Governance



We considered how the Audited Body:

Commentary on arrangements

Assessment

monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

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 assess strategic and operational risks respectively. We identified some improvements which could be made to the risk register to align this with best practice and have raised an Improvement Recommendation. Note that we have also raised concerns over the Council's risk management with regards to its joint venture companies later in this section and have raised an Improvement Recommendation at page 25.

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 two Improvement Recommendations in relation to internal audit in our 2022/23 AAR relating to timely completion of internal audit actions and undertaking a review of Internal Audit. We have closed both of these prior year recommendations in 2023/24 (see Appendix C). The Council has counter-fraud policies in place, however we identified that counter-fraud activities are not being reported to the Accounts and Audit Committee and have raised an Improvement Recommendation.

A

approaches and carries out its annual budget setting process

In setting the 2024/25 budget, the Council followed its established processes which were adequate The MTFF and budget were set together and are mutually consistent. Pressures from pay and demography, and savings were identified for each department. The budget setting process included challenge from Overview and Scrutiny Committee.

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.

A

- G** No Significant Weaknesses in arrangements identified or Improvement Recommendation made.
- A** No Significant Weaknesses in arrangements identified, but Improvement Recommendations made.
- R** Significant Weaknesses in arrangements identified and Key Recommendations made.

Governance (continued)

We considered how the Audited Body:

Commentary on arrangements

Assessment

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

We have identified a Significant Weakness around capacity in the finance function. The Council has 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 had still not produced the accounts. These accounts will not now be audited as they have not been provided to ourselves with sufficient time for audit work to be undertaken prior to the deadline of 28 February 2025. A Key Recommendation is raised 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.

The Director of Resources reports on its financial performance quarterly to Cabinet. This includes reporting variations and actions proposed to mitigate forecast overspends. 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. We have made an Improvement Recommendation on page 33 to ensure that any financial issues arising from the Council's joint ventures are not overlooked while the Council is progressing its response to the recommendations made in last year's AAR regarding management and governance of joint ventures.

R

ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee

There are Significant Weaknesses in the Council's arrangements to ensure it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. We raised a Key Recommendation in our 2022/23 AAR reported in July 2024, 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. We recognise the progress the Council has made in a relatively short time to engage suitably qualified facilitators through the LGA (Local Government Association) who have developed a programme of work to address this. However, as work is ongoing in this area and the outcome of the LGA review is not complete, we have concluded that this remains an area of Significant Weakness and have restated our Key Recommendation. We also raised an Improvement Recommendation in our 2022/23 AAR, that the Council should review their current meeting seating arrangements to reflect the constitutional position of the role of Leader and Deputy Leaders of the Council in a shared administration. Management advised that this action will be incorporated in the LGA work and so we have also restated this Improvement Recommendation.

In our 2022/23 AAR, we also found that there was a Significant Weaknesses in the governance arrangements underpinning the Council's relationships with its joint venture companies and raised a Key Recommendation. We recognise the progress the Council has made in commissioning an independent legal advisor to undertake a review of the relationships and governance of the Council's joint venture companies. However, as work is ongoing at the time of this report and the outcome of the legal advice is not complete, we have concluded that this remains an area of Significant Weakness and have restated our Key Recommendation. In our 2022/23 AAR, we 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.

R

- G** No Significant Weaknesses in arrangements identified or Improvement Recommendation made.
- A** No Significant Weaknesses in arrangements identified, but Improvement Recommendations made.
- R** Significant Weaknesses in arrangements identified and Key Recommendations made.

Governance (continued)



We considered how the Audited Body:

monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.

Commentary on arrangements

Internal audit identified deficiencies with information governance and issued a limited assurance opinion in July 2024. They reported that fundamental weaknesses were 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. Internal audit's recommendations were still outstanding at the time of our audit. We have concluded that this represents a Significant Weakness in the Council's arrangements and have raised a Key Recommendation.

In our 2022/23 AAR reported in July 2024, we found that there was a Significant Weakness in the Council's planning processes and raised a Key Recommendation. We recognise the progress the Council has made in a relatively short space of time to commission an independent legal advisor to undertake a review. However, as work is ongoing in this area and the outcome of the legal advice remains to be seen, we have concluded that this remains an area of Significant Weakness and have restated our Key Recommendation.

In our 2022/23 AAR, we also raised an Improvement Recommendation that the Council should review and update its codes of conduct and member/officer protocols. Management advised that this will not be completed until March 2025. We have therefore restated our Improvement Recommendation and will assess progress in 2024/25.

Assessment

R

- G** No Significant Weaknesses in arrangements identified or Improvement Recommendation made.
- A** No Significant Weaknesses in arrangements identified, but Improvement Recommendations made.
- R** Significant Weaknesses in arrangements identified and Key Recommendations made.

Governance (continued)



Significant Weaknesses identified

Capacity

The Councils have not produced the 2023/24 accounts in sufficient time for these to be audited and so they will be backstopped. This represents a capacity problem, which is a Significant Weakness. The Council has had previous Key Recommendations (last in 2020/21) and Improvement Recommendations around capacity. Based upon the evidence we have reviewed, we have concluded that there is an insufficient capacity within the finance function. We have therefore raised a Key recommendation.

Key Recommendation 2: The Council should i) review the work required from key financial staff including taking account of 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

Barriers to change

In our 2022/23 AAR, which we reported in July 2024, we found that the new governance and decision-making processes are not fully understood by members. As a result, there have been instances of members of the Executive speaking against decisions made by the Executive at Full Council meetings. Furthermore, the behaviour of some members towards each other and officers fell short of the standards that members have set for themselves. 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 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.

Management advised that following the local elections in May a programme of member training was arranged which included an element in relation to constitutional arrangements, executive working, governance, and decision-making processes. Suitably qualified facilitators have been engaged through the LGA (Local Government Association) with a programme of work having been developed. Work was due to commence with members in October 2024 which will help shape an ongoing mandatory development programme. Following the LGA programme the governance structures and decision-making systems, along with roles and responsibilities required for an effective Executive and Leader model will be further reviewed and implemented as part of the mandatory development programme. The aim is to remove any legacy arrangements carried over from the Committee system to ensure that an effective Leader and Executive Model can operate.

As work is ongoing in this area and the outcome of the LGA review remains to be seen, we have concluded that this remains an area of Significant Weakness and have restated our Key Recommendation. We will follow up to assess progress in 2024/25 and will consider whether use of our statutory audit powers is appropriate at that stage dependent on the progress made.

Key Recommendation 3: 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.

Governance (continued)



Significant Weaknesses identified

Joint Ventures

In our 2022/23 AAR, we found 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. Legal agreements between the Council and the companies are not up to date and there is a lack of clarity about the roles of the Council's officers in relation to the companies. We raised a Key Recommendation that 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.

Management advised that an independent legal advisor has been commissioned to undertake a review of the relationships and governance of the Council's joint venture companies. The scope includes a review of potential conflicts of interest arising between members' roles as directors of the companies which are significant and create risks of negative impacts on the Council's interests in the companies as a shareholder, and on the reputation of the Council as a whole. The report is due to be presented to Full Council in December 2024.

As work is ongoing in this area and the outcome of the legal advice remains to be seen, we have concluded that this remains an area of Significant Weakness and have restated our Key Recommendation. We will follow up to assess progress in 2024/25 and will consider whether use of our statutory audit powers is appropriate at that stage dependent on the progress made.

Key Recommendation 4: 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.

Governance (continued)



Significant Weaknesses identified

Information Governance

Internal audit identified issues with information governance and issued a limited assurance opinion in July 2024. They reported that fundamental weaknesses were 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 and 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.

Internal audit's recommendations were due for implementation by 31 August 2024 but have since been postponed to 31 December 2024 and are therefore still outstanding at the time of our audit. We have concluded that this represents a Significant Weakness in the Council's arrangements and have raised a Key Recommendation.

Key Recommendation 5: 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 Weaknesses identified

Planning Process

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. This has resulted in appeals and has generated avoidable costs and delays on development. 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 the consistency, costs and efficiency of its planning process and the potential future impacts of continuing with the current arrangements. The report is due to be presented to full Council in December 2024.

As work is ongoing in this area and the outcome of the legal advice remains to be seen, we have concluded that this remains an area of Significant Weakness and have restated our Key Recommendation. We will follow up to assess progress in 2024/25 and will consider whether use of our statutory audit powers is appropriate at that stage dependent on the progress made.

Key Recommendation 6: 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.

Governance (continued)

Areas for improvement

Risk Management

Our review of the Strategic Risk Register identified that:

- risks are not mapped to strategic objectives meaning there is not clarity over how risk may impact the delivery of these objectives.
- gaps in assurance are not identified and documented.
- the risk register does not include an assessment of likelihood and impact.

We have therefore raised an Improvement Recommendation to support the Council to align the Strategic Risk Register with best practice.

Improvement Recommendation 4: 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.

Counter Fraud Activity

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.

We have raised an Improvement Recommendation.

Improvement Recommendation 5: The Council should improve its counter-fraud approach by reporting on activities to prevent and detect fraud to the Accounts and Audit Committee

Consultation

Following the recommendation being made in last years AAR the Council have responded that they plan to carry out consultation on the budget. Based upon the evidence we have reviewed, we have concluded that the Improvement Recommendation from last year should be repeated.

Improvement Recommendation 6: The Council should make arrangements to consult with residents, business and the voluntary sector on budget priorities

Budget monitoring – Joint Ventures

As discussed on page 22 the Council is intending to review its arrangements for how it deals with Joint Ventures. The Council should prior to and after any changes agreed to its arrangements for Joint ventures ensure that it considers any impact from them on the Council's finances in their quarterly budget monitoring. Based upon the evidence we have reviewed, we have concluded that there is a potential gap in that any financial consequences for the Borough arising from Joint Ventures may not be reported to members as part of the usual corporate overview of the Council's finances. We have therefore raised an Improvement Recommendation.

Improvement Recommendation 7: 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

Meeting Arrangements

Our 2022/23 AAR, reported in July 2024, highlighted that at meetings of Full Council, the Leader currently sits with the Mayor and the statutory officers who are there to provide advice and information, at the Mayor's request, to him and the Council as a whole. By sitting with the Mayor, the Leader is undermining the politically neutral role of the Mayor as chair of the Council and failing to reflect the shared leadership responsibilities of himself as Leader and the Deputy Leader. We made an Improvement Recommendation in last year's AAR that the Council should review their current meeting arrangements to reflect the constitutional position of the role of Leader and Deputy Leaders of the Council in a shared administration. Management advised that this action will be incorporated as part of the LGA work in response to our Key Recommendation (see Key Recommendation 3 on page 9) which was due to commence in October 2024. As work is ongoing in this area and the outcome of the LGA review remains to be seen, we have restated our Improvement Recommendation and will follow up to assess progress in 2024/25.

Improvement Recommendation 8: 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.

Governance (continued)



Areas for improvement

Risk Management – Joint Ventures

In our 2022/23 AAR, we raised an Improvement Recommendation that 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.

Management advised that risks identified relating to the joint venture companies now appear in the Strategic Risk Register. These risks will be managed in the same way as those relating to the Council's financial plans, other strategies, and operational activity. However, review of the latest Strategic Risk Register shows that whilst a heading related to joint venture companies has been added to the register reflecting our Key Recommendation around the need to review joint venture governance arrangements. 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 therefore restated our Improvement Recommendation.

Improvement Recommendation 9: 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.

Members' Code of Conduct

In our 2022/23 AAR, we raised an Improvement Recommendation that 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.

Management have advised that the Members Code of Conduct will be reviewed to ensure it conforms to the standards set out in the LGA model Members Code of Conduct and will provide sufficiently clear guidance on the management of conflicts of interest to ensure appropriate standards are upheld along with their roles as members or directors of companies which are wholly or partly owned by the Council. This will inform the mandatory training programme that arises from the Key Recommendation around the executive/leader model on Governance. The Council will also revise its member/officer protocol in line with the new Code of Conduct including details of the statutory powers of the Chief Executive, S151 Officer, and Monitoring Officer. This will form part of the annual review of the Constitution which will be reported to full Council by end of March 2025.

We have restated our Improvement Recommendation and will follow up to assess progress in 2024/25.

Improvement Recommendation 10: 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.

Improving economy, efficiency and effectiveness – commentary on arrangements



We considered how the audited body:

Commentary on arrangements

Assessment

uses financial and performance information to assess performance to identify areas for improvement

Performance reports were presented quarterly to the Executive. These focused on strategic priorities and key performance indicators. The reports use Red-Amber-Green (RAG) rating to report progress on the delivery of strategic priorities. Reports provide the members with a gauge of performance representing a range of services delivered by and on behalf of the Council. We have identified some improvements the Council could make to its performance reporting in line with best practice and have raised **an Improvement Recommendation**.

We raised an Improvement Recommendation in our 2022/23 AAR that the Council should have Internal Audit incorporate a review of performance reporting into their work plan to help provide assurance over the quality of the data. Management advised that the Council’s internal auditors have carried out an audit of Performance Reporting and Data Quality which received ‘substantial’ assurance. This will be reported to Accounts and Audit committee in November 2024. We have closed our prior year recommendation.

The Council has arrangements in place to learn from other local government organisations to improve its performance, including some use of benchmarking in its budget setting processes. Our financial benchmarking tool (CFO Insights) indicated the Council has very high unit costs compared to its nearest neighbours in a number of areas such as parking and transport planning and **an Improvement Recommendation** is made that the Council should consider unit costs and where these benchmark high, to consider if this provides an opportunity for service changes, improvement or efficiency.

A

evaluates the services it provides to assess performance and identify areas for improvement

There is evidence that the Council evaluates the services it provides to assess performance and identify areas for improvement. The Council operates a mixed economy approach to delivering services, utilising a range of service delivery models including in-house, outsourced, transfers to external parties and joint venture arrangements. In 2023/24, the Council explored the potential for shared service arrangements on the delivery of key priorities and senior management roles where this would boost capacity. Progress on this has been delayed as the Council held informal discussions with neighbouring councils but there was little appetite from neighbours to take this further. However, this demonstrates a proactive approach to considering alternative lower cost options for service delivery.

Arrangements are not always adequate in the way that the Council reviews and challenges strategic priorities and cost-effectiveness of existing activities. This is reflected in our Key Recommendation on the functioning of the leader/executive model in the Governance section on page 21, and we have therefore rated this criteria as Amber.

A

- G** No Significant Weaknesses in arrangements identified or Improvement Recommendation made.
- A** No Significant Weaknesses in arrangements identified, but Improvement Recommendations made.
- R** Significant Weaknesses in arrangements identified and Key Recommendations made.

Improving economy, efficiency and effectiveness (continued)

We considered how the audited body:

Commentary on arrangements

Assessment

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

The Council engaged with stakeholders and partners when developing its strategic priorities for its Corporate Plan 2023 - 2027 which was approved in December 2023. The Council's quarterly performance reporting is aligned to its strategic priorities to ensure priorities are reviewed on a regular basis to ensure delivery is on track. The Council works with a range of partners from small scale local groups to larger and more formal partnerships. Its key partnerships are with Liberata, who provide HR & Payroll, Property, Revenues & Benefits, Customer Services and ICT services to the Council, and with its joint venture companies. Whilst there have been some issues with the Liberata Performance Management Framework (see the section immediately below), performance of the contract has continued to be reviewed and monitored on a regular basis with reporting to the Executive.

We raised a Key Recommendation in our 2022/23 AAR around the Council's joint venture governance arrangements which included concerns that the Council does not receive adequate reports on the performance of joint venture companies. We have restated this Key Recommendation in the governance section at page 22 as the Council is awaiting legal advice before amending the joint venture governance arrangements. We have therefore rated this criteria as Amber.

A

commissions or procures services, assessing whether it is realising the expected benefits

The Council has identified and made some changes in regards to its procurement processes or procured services in 2023/24. The Financial Procedure Rules were updated in September 2023. This update included a change to specify standardised levels of authorisation for procuring and payment of resulting invoices across the Council, having identified that these were previously set by individual managers for staff within their services leading to inconsistency across the Council. The Council has also taken steps to address issues identified with the Liberata contract in 2023/24. The Liberata Performance Management Framework was suspended during 2020/21 due to the Covid-19 Pandemic and the Council had not been able to agree PI targets for 2022/23 and 2023/24. The performance of the contract continued to be reviewed and monitored on a regular basis and the Framework has now been reviewed, agreed and re-instated for 2024/25.

Internal audit issued a limited assurance opinion on information governance in July 2024 including issues related to third party suppliers. We have identified this as a Significant Weakness in arrangements and raised a Key Recommendation in the governance section at page 29.

As at November 2024, the Council are in the process of obtaining legal advice regarding its joint venture arrangements in line with our prior year Key Recommendation. We have restated our recommendation at page 28 where we have also set out the Council's progress to date. The Council does have arrangements in place to monitor costs and timescales for large capital projects but we have identified areas for improvement in regards to this and have raised an Improvement Recommendation in the Financial Sustainability section on page 17.

Due to the issues identified and discussed elsewhere in this report but which are also relevant to this criteria as set out above, we have therefore rated this criteria as Amber.

A

- G** No Significant Weaknesses in arrangements identified or Improvement Recommendation made.
- A** No Significant Weaknesses in arrangements identified, but Improvement Recommendations made.
- R** Significant Weaknesses in arrangements identified and Key Recommendations made.

Improving economy, efficiency and effectiveness (continued)



Areas for improvement

Performance Reporting

Our review of the 2023/24 quarterly performance reports identified that the reports do not include financial performance which is reported separately in the quarterly revenue and capital monitoring reports. These reports are not always reported to the same meeting. Best practice is to use integrated performance reporting or to ensure that financial and non-financial performance is presented at the same meeting.

It is also not clear from the reports when performance data reported is from. Without this information, it is not clear to members how up-to-date the performance being reported is. Based upon the evidence we have reviewed, we have concluded that the Council could improve its performance reporting. We have therefore raised an Improvement Recommendation.

Improvement Recommendation 11: The Council should improve its performance reporting by:

- 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.

Benchmarking

The Council has high unit costs in several areas - highways, roads and transport services; environmental safety and routine maintenance; parking services; public transport coordination; traffic management and road safety; and transport planning and policy. Some of these may be due to a specific local choice or the Council may be comparatively high in an area where they do not spend much. The Council should investigate this further, is appropriate.

Based upon the evidence we have reviewed, we have concluded that the Council should review how some of its costs compare with other authorities via benchmarking. We have therefore raised an Improvement Recommendation.

Improvement Recommendation 12: The Council should transport consider unit costs and where these benchmark high, to consider if this provides an opportunity for service changes, improvement or efficiency

**Value for Money
Recommendations raised in
2023/24**



Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>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</p>	Key	Financial sustainability	The Council's MTFF, last year's AAR	Problems with reserves, potential s114 notice if actions not taken	<p>The budget setting process for 2025/26 is underway. This includes zero basing the budget and alignment to priorities; review of all commercial lines, fees and charges and asset income informed by benchmarking information; review of joint venture vehicles commercial income streams to review options; review of reserves and provisions & review of capital programme. The Budget Working Group meetings commenced in October 2024, with members being updated on the 2025/26 draft budget incorporating the 2023/24 outturn and the updated reserves position. Members and Officers acknowledge that the use of reserves is not sustainable and that tough decisions will need to be made both in the short term and longer term.</p> <p>Responsible Officer: Director of Resources Executive lead: Cllr D Whipp Due Date: 28th Feb 2025</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
KR2 The Council should i) review the work required from key financial staff including taking account of 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	Key	Governance	Failure to provide accounts for audit	Errors in decision making, statutory recommendation if actions not taken	The Council has added an additional post in the finance team to alleviate pressure on key financial staff. There will be a period of settling in but once settle this will add additional capacity in the tea. Responsible Officer :Dir of Resources Executive Lead: Cllr D Whipp Due Date: 31st March 2025
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.	Key	Governance	Last year's AAR, management updates	Errors in decision making, statutory recommendation if actions not taken	<ul style="list-style-type: none"> • Suitably qualified facilitators have been engaged through the LGA (Local Government Association) Work commenced with members in October 2024. This will help shape an ongoing mandatory development programme. • Following the LGA programme the governance structures and decision-making systems, along with roles and responsibilities required for an effective Executive and Leader model will be further reviewed and implemented as part of the mandatory development programme. • The aim is to remove any legacy arrangements carried over from the Committee system to ensure that an effective Leader and Executive Model can operate Responsible Officer: Director of Resources Executive Lead: Cllr A Mahmood Due Date: 31 March 2025

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>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.</p>	Key	Governance	Last year's AAR, management updates	Exposure of individual members to reputational damage, errors in decision making, statutory recommendation if actions not taken	<p>Independent legal advice has been received and is currently being reviewed. The advice recommends obtaining business plans for each of the JV companies, the dissolution of the companies as they complete their current business, and a phased approach to the implementation of new governance arrangements through which PBC can exercise its shareholder function in respect of the companies, and for any new companies established in the future. The advice will be presented to Members early in the New Year.</p> <p>Responsible Officer: Director of Resources</p> <p>Executive Lead: Cllr A Mahmood</p> <p>Due Date: 31st March 2025</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
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	Key	Governance	Internal audit report, recommendations follow up	Reduction in public confidence, action by ICO if actions not taken	MIAA are reviewing the Councils current information Governance processes, data flows and detailing information assets. Once this is complete the Council will maintain the records and roll out training to staff. Responsible Officer: Head of Legal & Democratic Services Executive Lead: Cllr D Whipp Due Date: 31st March 2025
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.	Key	Governance	Last year's AAR, management updates	Errors in decision making, cost awarded against Council, statutory recommendation if actions not taken	The Council has commissioned an independent legal report on the consistency, costs and efficiency of its planning process and the potential future impacts of continuing with the current arrangements. The report is currently underway and will be presented to Members early in the New Year. Responsible Officer: Director of Resources Executive Lead: Cllr T Whipp Due Date: 31 st March 2025

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR1 The Council should ensure it remains focussed on budget monitoring given the number of potentially variable budgets.	Improvement	Financial sustainability	2023/24 budget monitoring	Overspending, reduction in reserves if actions not taken	The Council has embedded rigorous budget monitoring processes in place which are reported to the Executive quarterly. Responsible Officer: Head of Finance Executive Lead: Cllr D Whipp Due Date: Ongoing
IR2 The Council should put into place arrangements to report to members on the progress in the achievement of savings on a quarterly basis	Improvement	Financial sustainability	Current quarterly financial reporting	Better understanding of which proposals have worked and which haven't	This has been implemented and is reported in the quarterly monitoring reports. Responsible Officer: Head of Finance Executive Lead: Cllr D Whipp Due Date: 31st Oct 2024
IR3 The Council should ensure a range of scenario and sensitivity analysis is carried out as part of the MTF work	Improvement	Financial sustainability	MTFF	Wider range of possibilities may aid compromises	Sensitivity Analysis is factored into the budget setting process and consideration will be given to it being included in the budget reports presented to budget Council. Responsible Officer: Director of Resources Executive Lead: Cllr D Whipp Due Date: 28th Feb 2025

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
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.	Improvement	Governance	Strategic Risk register	Better management of risks	The Council is currently reviewing its Strategic Risk Register with a view to all recommendations being adopted for 2025/26. Responsible Officer: Director of Resources Executive Lead: Cllr D Whipp Due Date: 31st March 2025
IR5 The Council should improve its counter-fraud approach by reporting on activities to prevent and detect fraud to the Accounts and Audit Committee.	Improvement	Governance	Reports to Committee	Better oversight by members	The Council has just re-tendered the internal audit contract. The new contract includes enhancement of the counter fraud programme which includes prevention and detection activities. The activities will be reported to A&A committee on a regular basis. Responsible Officer: Director of Resources Executive Lead: Cllr D Whipp Due Date: 31st March 2025

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR6 The Council should make arrangements to consult with residents, business and the voluntary sector on budget priorities	Improvement	Governance	Last year's AAR, management updates	Lower public confidence in Council, poorer decisions if actions not taken	<p>A budget survey is scheduled for January 2025. This will include budget priorities and will be supplemented with engagement in the business community and voluntary sector. This will become part of the statutory responsibility for budget consultation in December/January each year when consulting on the draft budget.</p> <p>Responsible Officer: Director of Resources</p> <p>Executive Lead: Cllr D Whipp</p> <p>Due Date: 28th Feb 2025</p>
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.	Improvement	Governance	Last year's AAR, quarterly reports to Executive on budget	Unexpected adverse financial position/positive position missed if actions not taken	<p>This will be implemented for the next budget monitoring report.</p> <p>Responsible Officer: Head of Finance</p> <p>Executive Lead: Cllr D Whipp</p> <p>Due Date: 31st Jan 2025</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
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.	Improvement	Governance	Last years AAR	Improved long run effectiveness of meetings and decision making	This action is being picked up as part of the LGA work. Responsible Officer: Chief Executive Executive Lead: Cllr A Mahmood Due Date: 31st March 2025
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.	Improvement	Governance	Last years AAR	Reputational damage to Council or individual councillors, disruption to council plans if actions not taken	Risks identified relating to the joint venture companies now appear in the Corporate Risk Register. These risks are managed in the same way as those relating to the Council's financial plans, other strategies, and operational activity. Responsible Officer: Director of Resources Executive Lead: Cllr A Mahmood Due Date: 31st December 2024

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
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.	Improvement	Governance	The Council's current code, updates from management	Improved governance	<p>The Members Code of Conduct is currently being reviewed to ensure it conforms to the standards set out in the LGA model Members Code of Conduct and will provide sufficiently clear guidance on the management of conflicts of interest to ensure appropriate standards are upheld along with their roles as members or directors of companies which are wholly or partly owned by the Council. This will help inform the mandatory training programme</p> <p>The Council will also revise its member/ officer protocol in line with the new Code of Conduct including details of the statutory powers of the Chief Executive, S151 Officer, and Monitoring Officer. This will form part of the annual review of the Constitution which will be reported to full Council by end of March 2025.</p> <p>Responsible Officer: Head of Governance</p> <p>Executive Lead: Cllr A Mahmood Due Date: 31st March 2025</p>
IR11 The Council should improve its performance reporting by:- 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.	Improvement	Improving economy, efficiency and effectiveness	Current performance reporting	Missed opportunity to improve insight if actions not taken	<p>Whilst it is not practical to combine the financial and non-financial performance reporting in to a single report, the Council aims to report both items to the same Executive committee meeting.</p> <p>Responsible Officer: Director of Resources Executive Lead: Cllr D Whipp</p> <p>Due Date: 30th November 2024</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
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	Improvement	Improving economy, efficiency and effectiveness	GT Benchmarking	Benchmarking may suggest areas for improvement/savings	<p>Budget Working Group considers benchmarking and unit costs as part of the budget setting process. Areas where unit costs are high are drawn to Members attention along with reasons why and potential improvements/efficiencies that could be implemented.</p> <p>Responsible Officer: Director of Resources</p> <p>Executive Lead: Cllr A Mahmood</p> <p>Due Date: Ongoing</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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.

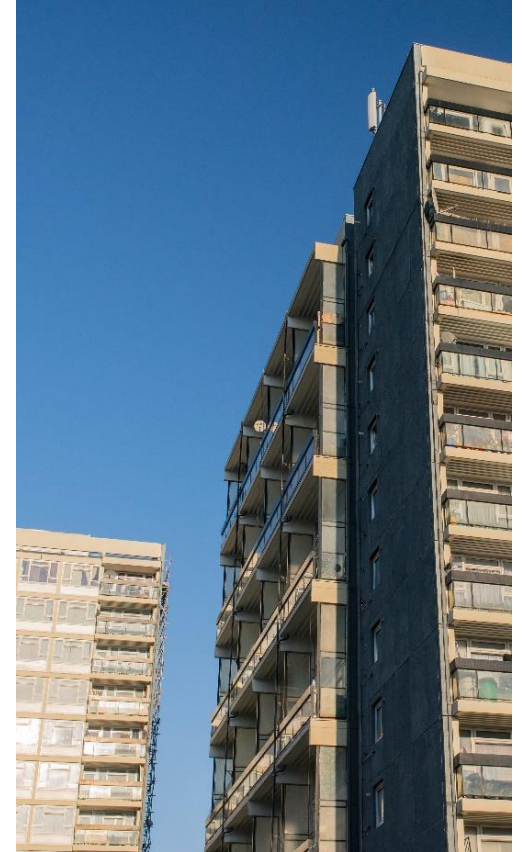
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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 Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Appendix B: Value for Money Auditor responsibilities



Value for Money arrangements work

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

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

Under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The 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 management, risk management, and ensuring the Council makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

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

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

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

Information which informs our risk assessment	
Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

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** – actions which should be taken where Significant Weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.
- **Key Recommendations** – actions which should be taken by the Council where Significant Weaknesses are identified within arrangements.
- **Improvement Recommendations** – actions which should improve arrangements in place but are not a result of identifying Significant Weaknesses in the Council's arrangements.

Appendix C:

Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
1 The Council should urgently prepare and agree short and medium-term plans to close its budget gap using reserves to meet a significant part of the gap is unsustainable. The preparation of plans should include taking decisions regarding future years before the budget setting Council meetings	Key	June 2023	The Council has reduced its reliance on reserves to balance the budget in 2024/35 but still need to plan savings over more years.	No	Yes, recommendation restated
2 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.	Key	June 2023	Work commissioned but not yet considered by Council	No	Yes, recommendation restated
3 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.	Key	June 2023	Work commissioned but not yet considered by Council	No	Yes, recommendation restated

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Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
4 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.	Key	June 2023	Work commissioned but not yet considered by Council	No	Yes, recommendation restated
5 The Council should progress the appointment of a permanent s151 officer and should plan to improve the accounts closure process	Improvement	June 2023	S151 officer appointed but problems with accounts production.	Partially	Yes, recommendation restated and upgraded to a Key Recommendation
6 The Council should make arrangements to consult with residents, business and the voluntary sector on budget priorities	Improvement	June 2023	Action has not yet been taken but is planned	No	Yes, recommendation restated

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C: Follow-up of previous recommendations

	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
7	The Council should put into place arrangements to report to members on the progress in the achievement of savings on a quarterly basis.	Improvement	June 2023	Action has not yet been taken but is planned	No	Yes, recommendation restated
8	The Council should carefully consider the revenue implications of any new revenue or capital commitments with a revenue impact as this will increase the savings the Council needs to make.	Improvement	June 2023	Action has been taken	Yes	No
9	The Council should ensure that all Internal Audit's Improvement Recommendations rated 'high risk' are implemented in full within three months of the report and all other recommendations are implemented within six months.	Improvement	June 2023	Action has been taken	Yes	No

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
10 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.	Improvement	June 2023	Some action has been taken but more is needed	No	Yes, recommendation restated
11 The Council should undertake an annual review of Internal Audit to assess compliance with the governance requirements and report promptly to the Accounts and Audit Committee on the findings of that review.	Improvement	June 2023	Action has been taken	Yes	No

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
12 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, \$151 Officer and Monitoring Officer.	Key	June 2023	This work is planned but not yet completed	No	Yes, recommendation restated
13 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.	Improvement	June 2023	Work linked to 3 , where work has been commissioned but not yet considered by Council	No	Yes, recommendation restated
14 The Council should have Internal Audit incorporate a review of performance reporting into their work plan to help provide assurance over the quality of the data	Improvement	June 2023	Action has been taken	Yes	No

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

