Grant Thornton

The Annual Audit Letter for Burnley Borough Council

Year ended 31 March 2020

May 2021

Contents

Your key Grant Thornton team members are:

Barrie Morris
Key Audit Partner
M: 07771 976684
E: barrie.morris@uk.gt.com

Helen Stevenson
Engagement Manager
M: 07880 456209
E: helen.l.stevenson@uk.gt.com

Aaron Gouldman
Assistant Manager
T: +44 (0)161 214 3678
E: aaron.r.gouldman@uk.gt.com

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Burnley Borough Council (the Council) for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit Committee as those charged with governance in our Audit Findings Report on 24 March 2021.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £1,187,000 which is 2% of the Council's gross expenditure on services based on the 2018/19 year.
Financial Statements opinion	We gave an unqualified opinion on the Council's financial statements on 4 May 2021. We included an emphasis of matter paragraph in our report in respect of the uncertainty over valuations of the Council's land and buildings, investment properties and the Authority's share of the property assets of its pension fund given the Coronavirus pandemic. This does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year.
Whole of Government Accounts (WGA)	We completed work on the Council's consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 4 May 2021.
Certificate	We certified that we have completed the audit of the financial statements of Burnley Borough Council in accordance with the requirements of the Code of Audit Practice on 4 May 2021.

Executive Summary

Working with the Council

The Council took advantage of the extended reporting deadlines and sent draft accounts to us on 11 September 2020, however these were incomplete with updates required to some primary statements (balance sheet entries, collection fund, and many of the disclosures). We received a further version on 13 October 2020.

The audit has taken longer than expected due to remote working and the competing demands on the Finance Team’s time.

Restrictions for non-essential travel meant both Council and audit teams had to adapt to new remote access working arrangements. This included the use of video calling and screensharing for the verification of completeness and accuracy of information produced by the entity, and information sharing through our cloud based software.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff .

Grant Thornton UK LLP
May 2021

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Council's financial statements to be £1,187,000, which is 2**%** of the Council's gross expenditure on services based on the 2018/19 year. We used this benchmark as, in our view, users of Council's financial statements are most interested in where the Council has spent its revenue in the year.

We also set a lower level of specific materiality for senior officer remuneration of £5,000. This is identified as an area requiring a lower materiality due to its sensitive nature.

We set a lower threshold of £59,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts to check it is consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Financial reporting and accounting implications relating to the Covid-19 pandemic The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to: • remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation • volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates • financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and • disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.	We worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications on our audit approach. The final version of the draft financial statements were provided on 13 October 2020. We also; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence using alternative approaches could be obtained for the purposes of our audit whilst working remotely; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets valuations and recovery of receivable balances; • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; • discussed with management the implications for our audit report.	The impact of the demands on the Council's finance team resulted in work taking longer to complete. Restrictions for non-essential travel meant both Council and audit staff had to work from home. This presented audit challenges such as verifying remote access to financial systems, the absence of physical evidence of transactions and balances, the need to use video calling to observe processes that provided assurance over the completeness accuracy of information produced by the entity, and the lack of physical verification of assets. Both Grant Thornton UK LLP and the Council have had to re-deploy resources to cover staff sickness. The results of our work concluded that appropriate arrangements were put in place to manage the Covid-19 situation and suitable disclosures were made in the financial statements.

Audit of the Financial Statements

Significant Audit Risks - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
ISA240 revenue risk – the Council's reported revenue contains fraudulent transactions (rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Burnley Borough Council, mean that all forms of fraud are seen as unacceptable	Therefore, we do not consider this to be a significant risk for Burnley Borough Council. We have however checked the validity of total revenues to central government grant income, Council tax, and non domestic rates. Our audit work did not identify any issues in respect of improper revenue recognition.
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determine the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions	Our audit work did not identify any issues in respect of management override of controls.

Audit of the Financial Statements

Significant Audit Risks - continued

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Valuation of land and buildings (including surplus assets and investment properties) - £56.4 million (rolling revaluation) The Council revalues its land and buildings, on a rolling five yearly basis and annually for investment properties. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£35.8m of land and buildings, £8.4m of surplus assets and £11.3m of investment properties in the 2019/20 accounts) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We: • updated our understanding of the processes and controls put in place by management to ensure that the Council's valuation of land and buildings were not materially misstated and evaluated the design of the associated controls • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • discussed with the valuer to confirm the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation • tested revaluations made during the year to see if they had been input correctly into the Councils asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at the year end.	The Council's land and buildings assets were valued this year by the Council's in-house valuation team. Our work assessed them as having a good knowledge of the Council's portfolio, and they used information from the Asset Register and other Council estates systems in carrying out their valuation of the assets. The Council carries out valuations at 1 April each year. Council officers, including the in-house valuation team, carried out an assessment of whether, based on their knowledge, there is likely to be a material movement in valuation between that date and the year-end of 31 March. We reviewed officers' assessment and found it reasonable. We made a recommendation the Council with its valuer consider additional factors affecting the possible movement in valuation for the assets not revalued in year as part of the rolling five year programme (see the Action Plan in Appendix B). Due to the potential impact that Covid-19 had on the value of land and buildings at 31 March 2020, the Council added a material uncertainty disclosure within Note 4 of the financial statements on the valuation of land and buildings. We reflected the disclosure within an "emphasis of matter" paragraph in our opinion. This is not a modification or qualification of the opinion and is consistent with other audited bodies.

Audit of the Financial Statements

Significant Audit Risks - continued

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Valuation of pension fund net liability - £49.2 million The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£49.2 million in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	We: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability was not materially misstated and evaluated the design of the associated controls • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • confirmed the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.	Where appropriate, we relied on the audit work carried out by ourselves as auditors of the Lancashire Pension Fund in undertaking the above procedures. The Pension Fund has some direct property classes of assets and, as a result of the Covid-19 pandemic, the Fund's valuers declared a material uncertainty in relation to their valuation as at 31 March 2020. Total value at 31 March 2020 is £110.2m and the share of Burnley Borough Council is £2m (1.8%). The Council included a material uncertainty within Note 4 of the financial statements to reflect this. We also reflected this disclosure within an "emphasis of matter" paragraph in our opinion. This is not a modification or qualification of the opinion.

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 4 May 2021.

Preparation of the financial statements

The Council and sent draft accounts to us on 11 September 2020, and then a further version on 13 October 2020 which included updates to some primary statements (balance sheet entries, collection fund, and many of the disclosures).

When it became obvious the audit deadline of 30th November 2020 would not be met, we set a later target completion date of March 2021 for the audit. We experienced some delays in getting certain working papers, notably journals and the final correct version of the general ledger, due to the competing demands on the finance staff time during the extended period of the audit.

Diverting finance staff to support Covid relief operations, the extra financial monitoring necessary as a result of Covid and the need to maintain normal Council business has been a significant additional burden for the finance team. Although the preparation of the financial statements were delayed into October 2020 other financial reporting arrangements continued during the period and we had good responses to audit queries raised.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit and Standards Committee on 24 March 2021.

Annual Governance Statement and Narrative Report

We are also required to review the Council’s Annual Governance Statement and Narrative Report. It published them on its website alongside the draft Statement of Accounts in October 2020

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work in line with instructions provided by the NAO. We issued an assurance statement which confirmed the Council was below the audit threshold.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of Burnley Borough Council in accordance with the requirements of the Code of Audit Practice on 4 May 2021.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

As part of our Audit Findings report agreed with the Council in May 2021, we agreed recommendations to address our findings.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk
Financial sustainability Burnley Borough Council delivered its planned outturn for 2018/19 with a balanced position against its net budget of £15.09m, achieving savings of £1.862m and a net transfer to earmarked reserves of £468,000. In February 2019 the Council set a balanced budget for 2019/20 as a net budget of £15.815m. The Council's revenue position reporting at month 9 indicated an overspend of £140,000. Incorporated into the 2019/20 budget was a savings target of £400,000. At month 9, £140,000 of this had been identified. The Council's MTFS for 2020/21 to 2023/24 recognised the ongoing pressures from core spending reductions and considers scenarios ranging from zero to four per cent reduction in core spending power. This resulted in a potential cumulative financial gap of between £2m and £4.5m over the four year period.	Our work included: • reviewing the in-year budget monitoring reports. • reviewing the Council's assessment of the Covid-19 impact and how the 2020/21 budget and Medium Term Financial Strategy is being managed in the light of this. **2019/20 Revenue Outturn** The Council planned to breakeven in 2019/20 against its net budget of £15.968m but delivered an overspend of £93,000. This was predominately due to the pandemic with £66,000 of the overspend being attributable to increased expenditure and a reduction in income as a result of COVID-19. The deficit of £93,000 was funded from the Council's transformation reserves. The Council had received £75,000 of Tranche 1 COVID funding but decided to roll this forward into 2020/21 to fund homelessness during the pandemic. Despite funding the overspend from reserves the Council was able to maintain its general fund reserves at £1.379m and its earmarked reserves increased by £888,000 to £8.134m. In 2019/20 the Council aimed to deliver savings in the region of £1.014m. Savings plans of £901,000 were approved by the Executive and then Full Council in September 2018 and £113,000 was later agreed in February 2019. These savings were assumed to be achievable and deducted from the base budgets and the progress in achieving these savings was not routinely separately monitored, with delivery assumed by monitoring performance against budget. Additional unidentified savings of £400,000 were subsequently required to achieve a balanced budget. These savings were made up of salary and non-salary savings and are reported quarterly throughout the year to the Executive and Full Council. At quarter three the Council reported that £140,000 remained to be identified, by the year end this had reduced to £93,000, equivalent to the overspend for the year. **2020/21 Budget and Medium Term Financial Strategy (MTFS)** The Council updated its MTFS along with its annual budget in February 2020 and approved a net budget of £15.693m. In February 2020, the Council reported the £596,000 savings were required in 2020/21. In line with previous years the agreed and identified savings (£596,000) were deducted from the net budgets and delivery was assumed by monitoring performance against budget. In addition, £213,000 of operational/salary savings were required to achieve breakeven at the beginning of the year.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk
Financial sustainability (continued)	At quarter two only salary savings of £68,000 had been identified, leaving £145,000 unidentified. In addition, due to the pandemic, costs had increased, and income reduced, such as car parking and leisure services leaving the Council with an overspend of £4.8m, before the allocation of mitigations. The mitigations against this overspend were additional funding from central Government (£2.4m) and anticipated compensation for fees and charges compensation (£1.1m). In addition, the Council was allowed to recover the collection fund losses (£1.2m) over the next three financial years. Taking these factors into account the Council's forecast net budget is a deficit of £118,000. As at January 2021 the central Government funding received has increased to £2.74m and compensation for fees and charges is estimated to be £1m. The Council's progress for identifying savings mirrors the timeframe of the MTFS. The approach identifies savings not just for the next financial year but for the next four years. An 'Away Day' took place in November 2020 with the Executive which considered the budget gap for the next three years and the savings approved at previous meetings, those requiring approval and those which no longer may be possible or need to be deferred. In total 26 different savings schemes were identified, ranging from £5,000 to £59,000. They cover a wide range of schemes from deletion of posts to restructuring of teams. These schemes indicate that achieving savings will be a significant challenge for the Council and are likely to require decisions to be made which could impact on service delivery and/or an increase in charges paid by service users. The MTFS was extended to cover a four-year period from 2021/22 to 2024/25. It highlighted the uncertainty over funding going forward and included scenarios from zero to four per cent and reasonable assumptions were also applied. The MTFS set out the financial challenge faced by the Council and identified a potential funding gap of £6.4m from 2021/22 to 2024/25. **COVID - 19** The Council adapted to enable home working of staff and the deployment of staff to meet the needs of high demand areas, such as the foodbank. This ensured that vital services, such as waste, continued to operate effectively. The Council were also able to meet the demand for support from both commercial and domestic residents by issuing business grants and council tax relief. In June 2020 the Council reported to its Executive that it was concerned the increased expenditure and reduced income could result in a significant budget deficit and impact on its financial sustainability in future years, as it would have insufficient reserves to meet the budget deficit. Fortunately, the Council has since received additional COVID -19 funding, is able to recover the collection fund deficit over the next three years and as a result its Quarter 2 forecast overspend is £118,000. In January 2021 the Council received direct COVID-19 funding of £2.736m. This includede direct funding received in four tranches starting in 2019/20, additional funding to mitigate the costs of administering the welfare reform changes and compensation funding for the reduction in fees and charges. Further compensation for fees and charges is also anticipated. The Council has established a specific COVID - 19 reserve to provide support should any additional restrictions be introduced which would impact on income and expenditure. Unallocated funds of £860,000 were used to establish this reserve.

Findings and conclusions

Although the Council continues to face significant financial pressures and uncertainty, we consider that the Council had adequate arrangements in place during 2019/20. In order to effectively manage these financial pressures, the Council should focus on the identification of sustainable savings for 2021/22 and beyond and introduce arrangements to separately monitor the delivery of the agreed identified, as well as unidentified, savings.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan

Major capital schemes

In December 2018 the Council gave approval to the proposals for two significant capital schemes:

- Pioneer Place town centre development
- Sandygate Square student accommodation.

Whilst these schemes were at different stages, around £6m of capital expenditure was expected to be incurred in 2019/20.

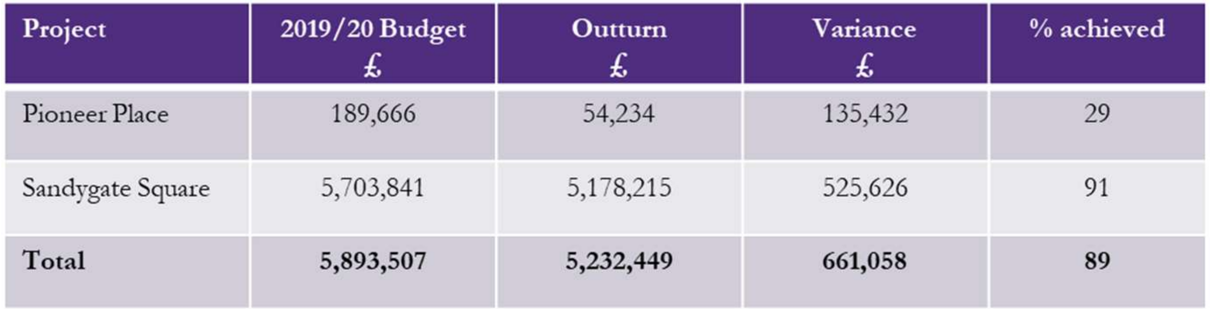
Major capital schemes carry significant inherent risks and require robust monitoring arrangements with appropriate contract management skills to deliver theses effectively.

How we responded to the risk

2019/20 Capital Outturn

The Full Council approved its capital budget in February 2019 of £18.244m. This was revised in February 2020 to £15.347m and at the year end was increased to £15.548m after allowing for funding brought forward from 2020/21 and additional resources identified. The Council incurred expenditure totaling £14.026m 90% of the final capital budget.

The two major schemes which we identified as potential value for money risks are expected to cost over £35m to complete, with Sandygate Square anticipated to take three years to complete and Pioneer Place six years. The table below illustrates slippage in comparison to the 2019/20 budget.



Project	2019/20 Budget £	Outturn £	Variance £	% achieved
Pioneer Place	189,666	54,234	135,432	29
Sandygate Square	5,703,841	5,178,215	525,626	91
Total	**5,893,507**	**5,232,449**	**661,058**	**89**

Capital budgets for 2020/21 and subsequent years

Both budgets have been revised as the schemes progress and agreed by Full Council. The budget for Sandygate Square was increased by £70,000 (0.7%) in 2020/21 due to increased costs, but also intends to complete in 2020/21 and as such has brought forward the budget from 2021/22 .

The budget for Pioneer Place was reduced to £21.3m, due to changes in the market, the need to renegotiate terms and to ensure the scheme remained financially viable. As a result, a revised financial model and business case was required and was approved by Full Council in November 2020.

Value for Money conclusion

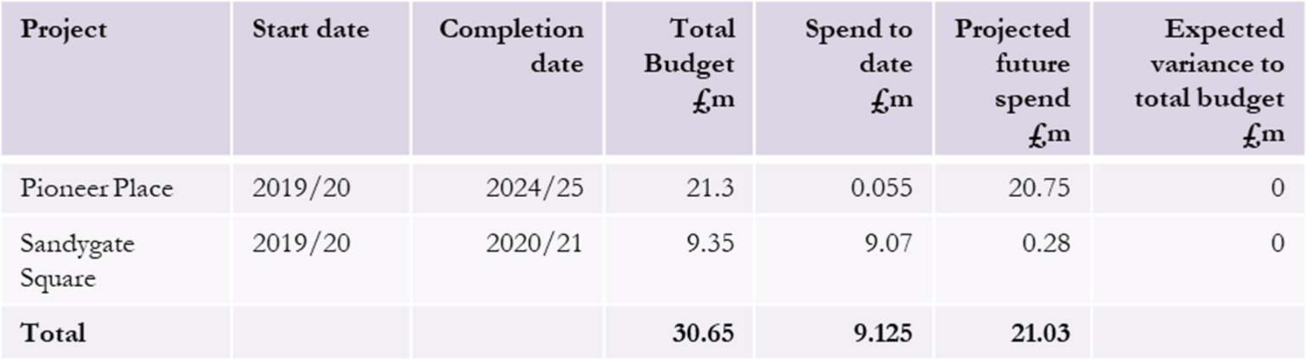
Value for Money Risks

Risks identified in our audit plan

How we responded to the risk

Major capital schemes (continued)

Although these schemes do pose significant risks to the Council, the Council has developed business cases and provided these to Full Council for consideration. The revised business case for Pioneer Place considered both the risks, as well as the benefits to be gained from regenerating the town centre. Arrangements are in place to mitigate and manage these risks and the table below illustrates that the Council do not anticipate any variances to the revised budgets. However, due to the uncertainty with COVID-19 some fluctuations and budget changes are likely and the Council should continue to actively monitor the Pioneer Place scheme as it progresses.



Project	Start date	Completion date	Total Budget £m	Spend to date £m	Projected future spend £m	Expected variance to total budget £m
Pioneer Place	2019/20	2024/25	21.3	0.055	20.75	0
Sandygate Square	2019/20	2020/21	9.35	9.07	0.28	0
Total			**30.65**	**9.125**	**21.03**	

Capital monitoring

Progress against the capital budget and individual schemes were reported quarterly and at the year end (outturn) to the Executive and Full Council. At each quarter changes to the budget were requested and at the outturn stage the revised budget for 2020/21 was agreed. The revised budget, was increased to include slippage from 2019/20. These monitoring reports also included how the individual schemes would be funded, such as prudential borrowing and reserves.

These reports identified that the Sandygate Square student accommodation scheme was due for completion in September 2020. This was achieved and as at November 2020 47% of the student accommodation was occupied, although it should be noted that the impact of COVID-19 on the higher education sector was unknown.

Findings and conclusions

We are satisfied that effective arrangements were in place with regard to the Council's major capital schemes. The Council should continue to actively monitor and report progress on the Pioneer Place capital scheme as it progresses.

Value for Money conclusion

Value for Money Risks

Risks arising during the audit	How we responded to the risk
Delay to the draft financial statements Reliable and timely financial reporting is required supporting delivery of strategic objectives is one of the NAO criteria for having informed decision making. Missing the statutory date for publishing draft accounts is indicative of weakness in those arrangements.	Our work included: • Reviewing the draft financial statements and the supporting working papers • Examining the presentation of in-year financial reports to the Executive and Council during 2020 and 2021 Like many other Councils, Burnley Borough Council had to divert finance staff to Covid-19 support related activities, notably the receiving, processing and distribution of central government business grants and other support packages. The Council took advantage of the extended reporting deadlines and sent draft accounts to us on 11 September 2020, however these were incomplete with updates required to some primary statements (balance sheet entries, collection fund, and many of the disclosures). We received a further version on 13 October 2020 but still with some errors in them. When it became obvious the audit deadline of 30th November 2020 would not be met, we set a later target completion date of March 2021 for the audit. We have experienced some delays in getting certain working papers, notably journals and the final correct version of the general ledger, due to the competing demands on the finance staff time during the extended period of the audit. Throughout 2020/21 management provided regular briefings to members that included the financial impact of Covid-19 on the Council. It agreed an Economic Recovery and Growth Strategy (post Covid) and related action plan, and also set a Covid 19 Community Recovery Plan, in October 2020. In addition it continued with mid year reporting on the Capital and Revenue position. It also revisited its Medium Term Financial Strategy and Reserves position 22/23 to 25/26 in February 2021.

Findings and conclusions

Diverting finance staff to support Covid relief operations, the extra financial monitoring necessary as a result of Covid and the need to maintain normal Council business has been a significant additional burden for the finance team. Although the preparation of the financial statements were delayed into October 2020 other financial reporting arrangements continued during the period and we have had good responses to audit queries raised.

In conclusion although there was a delay to the publication of draft financial statements this did not have a wider effect on overall financial reporting.

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and confirm there were no fees for the **provision of non-audit services.**

Reports issued

Report	Date issued
Audit Plan	24 February 2020
Audit Findings Report	24 March 2021
Annual Audit Letter	May 2021

Fees

	Planned £	Actual fees £	2018/19 fees £
Statutory audit	46,437	62,720	43,437
Total fees	**46,437**	**62,720**	**43,437**

Audit fee variation

As outlined in our audit plan, the 2019-20 scale fee published by PSAA of £38,937 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. The breakdown of the actual fees are set out in the next table.

Area	Reason	Fee proposed (£)
Scale fee	Set by PSAA	38,937
Pensions – IAS 19	The Financial Reporting Council (FRC) has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	1,750
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	1,750
Raising the bar	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism.	2,500
New standards/developments	Time taken for addressing new audit standards during the period.	1,500
Covid-19 and remote working	We incurred additional audit time due to verifying remote access to financial systems, the absence of physical evidence of transactions and balances, the need to use video calling to observe processes that provided assurance over the completeness accuracy of information produced by the entity, and the lack of physical verification of assets.	6,996
Delays in accounts preparation	The audit extended beyond the 30 November 2020 deadline until the issue of the opinion in May 2021. We incurred substantial additional costs during this period.	9,287
Total (including scale fee)		62,720

A. Reports issued and fees continued

Fees for non-audit services

Service	Fees £
Audit related services - Certification Housing Benefit Subsidy return	£22,600
Non-Audit related services - None	

Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.

B. Action plan

Assessment	Issue and risk	Recommendations
● (Amber)	**1. Rolling asset valuations (page 8 and 11**) The Council have an annual process to use the outcomes of the current year's valuation to assess the possible movements in valuation of assets not revalued in the year, analysed by type of asset. However, for 2019/20 Management have not provided sufficient analysis to support the assertion that assets not revalued in the current year are materially accurate at the balance sheet date. While our own analysis has concluded in support of Management's position, it is incumbent upon Management to perform sufficient analysis to support their position, with the assistance of Management's expert if necessary.	We recommend the Council improve the assessment of the changes in values for assets not included each year in its rolling programme of asset revaluations. It should consider additional factors that may affect the valuation and seek input from the internal valuer as management's expert. **Management response** A desktop exercise is carried out to determine whether there have been any material changes in the valuation of assets that hadn't been included for valuation in that year of the rolling valuation cycle. This desktop exercise is undertaken by the Council's internal valuer each financial year.
● (Amber)	**2. Depreciation and asset useful economic lives (page 11)** We noted as part of our work examining the charges for depreciation that the Council review the useful economic lives (UELs) of its buildings when spend is made rather than upon revaluation.	We recommend that in future years the asset UELs should be revisited as part of the revaluation to ensure that the depreciation charges are accurately calculated. **Management response** We agree with this recommendation and work has commenced on implementing this recommendation within the 2020/21 accounts.
● (Amber)	**3. Vfm financial sustainability (page 20)** Delivery of individual identified savings schemes and activities are not monitored and reported to the Executive and Full Council. Consequently the Council is not aware if the agreed savings schemes are being delivered as planned.	Throughout the year the Council should monitor and report delivery of individual identified savings areas as well as those not yet identified. **Management response** The identified savings schemes are incorporated into the revenue budget and continue to be monitored during the year as part of the revenue monitoring process. Any savings that are not being achieved during the year are reported by exception.
● (Amber)	**4. Vfm financial sustainability (page 20**) The Council faces significant financial challenge in 2021/22 and beyond.	The Council should focus on the identification of its savings plans for the next three years to ensure these can be actioned promptly and are focused on sustainable solutions. **Management response** The Council has identified and approved the savings required to balance the 2021/22 budget. Work is continuing to identify the savings required to meet the projected budget gaps identified through the recently approved MTFS.

B. Action plan (continued)

Assessment	Issue and risk	Recommendations
● (Amber)	**5. Vfm capital schemes (page 22)** The Pioneer Place Capital scheme may not be financially viable if COVID-19 continues to impact on the leisure and retail market	The Council should continue to actively manage and report progress on the Pioneer Place capital scheme as it progresses, to ensure it remains financially viable. **Management response** The Council, together with its delivery partners, is actively managing and reviewing the Pioneer Place scheme, to ensure that it remains financially viable, taking into account various environmental factors, including Covid-19. To achieve this aim, the Council has reduced the size of the scheme, reduced the annual rental income targets, and brought in additional external funding. These changes were reported and approved at Full Council in November 2020. Officers and delivery partners continue to actively monitor and report progress on the scheme.