

# Bath and North East Somerset Council

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

27 November 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the 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 Bath and North East Somerset 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:

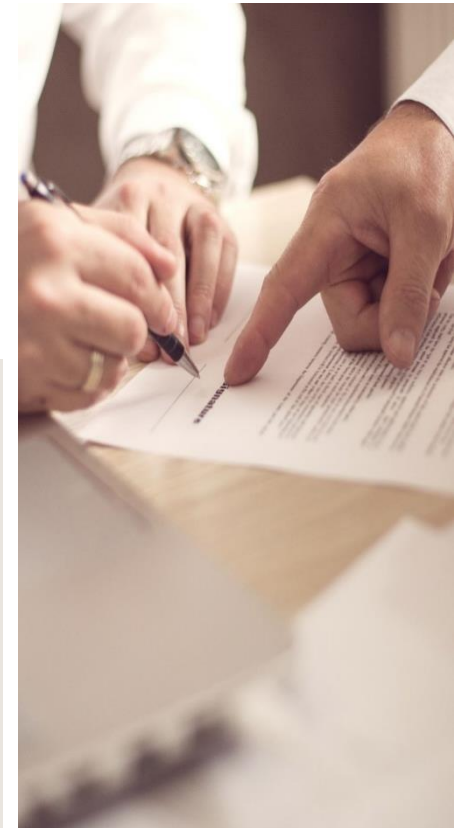
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

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 13 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, in its consultation of February 2024, has indicated that it will in future require auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year and for the audited body to publish the Report thereafter. This was delayed by the calling of a general election on 4 July 2024 and therefore has yet to be determined by the new government. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible. We are therefore sharing this report with you in advance of the National Audit Office's new Code being introduced. In the event that any new audit requirements are introduced when the Code is published, we will revisit these before finalising this report. Our summary findings are set out below. Our recommendations and management responses are summarised in the section starting on page 31.



## Financial sustainability

2023/24 was a challenging financial year, with continued financial pressures within demand led services. From three months into the year the Council was forecasting an overspend and urgent action was required to reduce spend. The Council was successfully able to reduce overall spend and delivered a slight overspend of £0.13m at the end of the year. However, there were overspends in the following service areas, Children's and Adult Social Care and Waste and Fleet services.

In February 2024 the Council agreed a balanced budget for 2024/25 which identified a savings requirement of £16.42m, supported by a five-year Medium Term Financial Strategy (MTFS) which identified a savings requirement of £35.33m over the next five years, illustrating that the Council continues to face a significant financial challenge.

In 2022/23 a significant weakness was identified as the Council did not have proper arrangements in place to address the Dedicated Schools Grant (DSG) deficit, this significant weakness remains in 2023/24, although the key recommendation has been updated to reflect the changes made in the past year. In 2022/23 the Council was accepted as part of the Department for Education's Safety Valve (SV) Programme and secured additional funding of £19.22m over the next seven years. However, due to the deteriorating position in 2023/24 the SV agreement was suspended and funding paused. Due to the significance of this matter we have raised a key recommendation which has been accepted by Management, as set out on page 9.

**The Council should continue to work with the DfE to ensure a realistic and deliverable management plan is agreed for the increasing DSG costs. The Council should:**

- ensure that the actions within the plan are progressed in the intervening period while discussions remain in progress
- develop a plan to address the residual deficit (£63m) to bring the Council back in balance at the end of the management plan in 2030/31.

We also identified the following areas where the Council could improve arrangements and as such, have raised two improvement recommendations, on page 20, which have been accepted by Management. These are:

- The Council should enhance its reporting arrangements for savings to Cabinet, ensuring that all savings are accurately profiled.
- In order to enhance the governance arrangements and savings delivered through transformation the Council should identify and document all its transformation activities within one plan.

# Executive summary



## Governance

The Cabinet, led by the Council Leader and other appointed Councillors, is responsible for significant decisions and publishes key decisions in its Forward Plan, enabling scrutiny committees to review and call-in any decisions as they consider appropriate.

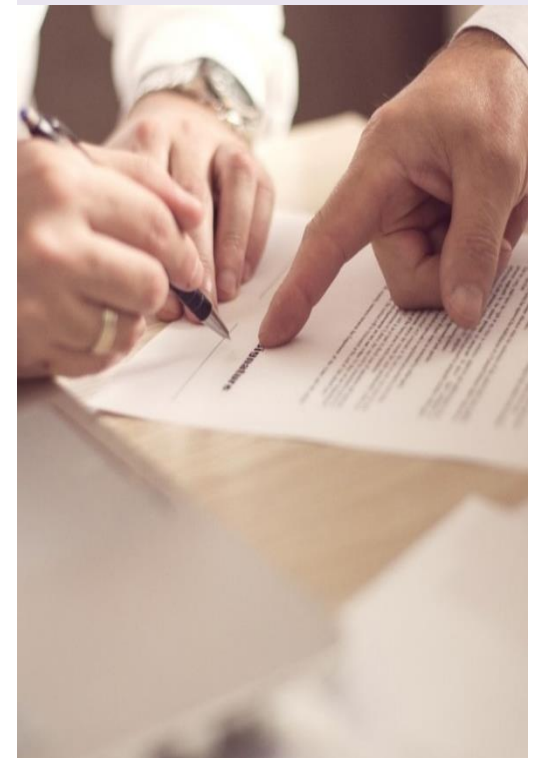
In 2022/23 we raised the following improvement recommendation: The Council should ensure the risk assessment undertaken to support a member decision is included within the supporting papers. The supporting member report should also set out the key risks relating to the decision. This recommendation remains outstanding and is set out on page 40.

In summary based on our areas of focus and evidence considered, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We identified three areas for improvement, on page 24, and have raised three improvement recommendation which have been accepted by Management:

- **Management should ensure that recommendations raised within Internal Audit reports are actioned within the agreed timescale.**
- **The Council should consider how its governance arrangements could be improved to ensure that recommendations raised by External Audit are addressed in a timely manner.**
- **The Council should consider if changing the company articles of association for Aequus would be beneficial to ensure that shareholders are updated annually on progress and any changes in the three-year business plan.**



We gave an unqualified opinion on 27 November 2024 after Corporate Audit Committee.



# Executive summary



## Improving economy, efficiency and effectiveness

The Council set out its strategic priorities within its Corporate Plan and reported to Cabinet its performance against its strategic priorities three times in 2023/24. The Council is aware of the challenges it faces and has used consultants to review and support it in finding solutions.

In summary based on our areas of focus and evidence considered, we have not identified any significant weaknesses in arrangements to ensure the Council manages improving economy, efficiency and effectiveness. However, we have identified three areas where the Council could improve arrangements and as such, have raised two improvement recommendations which have been accepted by Management:

- **In addition to revising the list of Strategic Performance Indicators, the Council should enhance its data collection and target-setting process to ensure timely and accurate data availability for all key performance indicators, allowing for a more comprehensive and timely assessment of the Council's performance against its Corporate Strategy.**
- **The Council should develop an action plan and implement the recommendations raised by the Contract Management Pioneer Programme, which includes development of a contract management framework.**

Further details on the improvement recommendations above can be found on page 28.

The details relating to outstanding recommendations raised in our previous Auditor's Annual Report can be found in Appendix C.

# 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 made relating to the Council managing its Dedicated Schools Grant (DSG) recovery plan.	Risk of significant weakness identified relating to DSG.	R A significant weakness in arrangements relating to the arrangements to manage the DSG deficit was identified and a key recommendation made. We have also raised two improvement recommendations and one improvement recommendation from our previous report remains outstanding. These recommendations will support the Council in improving arrangements to monitor and deliver savings through transformation.	↔
Governance	A No significant weaknesses in arrangements identified, but seven improvement recommendations made.	No risk of significant weakness identified.	A No significant weaknesses in arrangements identified, although three improvement recommendations have been made this year and three from our previous report have yet to be fully addressed. These improvement recommendations would support the Council in improving arrangements for implementing Internal and External Audit recommendations in a timely manner and managing its subsidiaries.	↔
Improving economy, efficiency and effectiveness	A No significant weaknesses in arrangements identified, but five improvement recommendations made.	No risk of significant weakness identified.	A No significant weaknesses in arrangements identified, but two improvement recommendations have been made to support the Council in improving its data collection and target-setting processes and arrangements for contract management. Three improvement recommendations from our previous report have yet to be fully addressed, these relate to partnership working and contract management.	↔

- 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.



# Executive summary (continued)



## Significant weakness identified in Financial Sustainability arrangements

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Based on the work undertaken and evidence reviewed on the arrangements relating to the Dedicated Schools Grant deficit, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements and raise the following key recommendation.

### Dedicate Schools Grants (DSG) High Needs Deficit

In 2022/23 we determined that the Council did not have effective arrangements in place to manage the High Needs element of the DSG within its agreed recovery plan and identified this as a significant weakness in arrangements. We consider that this significant weakness remains in 2023/24.

The Council has had a DSG deficit since 2019/20. In 2022/23 the Council began working with the Department for Education (DfE) as part of the Safety Valve (SV) programme and secured additional funding of £19.22m over the next seven years. The first part of this funding, £7.68m, was received in 2022/23. The aim of this original plan was to breakeven in 2028/29.

However, from the beginning of this plan the Council has not been able to deliver savings as required and the deficit at the end of 2022/23 was £1.53m behind plan and at the end of 2023/24 was £7.06m (cumulative deficit of £22.263m) behind plan. As a result of this deteriorating position in 2023/24 the SV was suspended, and the Council was put under enhanced measures. From this point funding was paused and discussions with the DfE began.

A new management plan has been developed (SEND collaboration). This plan was submitted to the DfE in May 2024 and as yet the Council has not received a response. The revised plan now extends to 2030/31 and no longer breaks even but plans to have a cumulative deficit of £63m (after reflecting the DfE funding) in 2030/31. This is a significant change from the original plan. The level of funding from the DfE remains unchanged.

The Council does not currently have a recovery plan for the £63m residual deficit. As at 31 March 2024 reserves were reported as £12.789 (general fund unearmarked) £73.652 (earmarked), a total of £86.441m. Whilst this is a reasonable level of reserves for the Council, should the statutory override be removed in 2025/26 or not exist in 2030/31, this level of DSG deficit is likely to have a significant impact on the Council's reserves.

It should be noted that should the position not improve, such as actions not progressed or no agreement reached with the DfE, we may consider using our statutory powers and raise a statutory recommendation in subsequent reviews.

#### Key recommendation 1

The Council should continue to work with the DfE to ensure a realistic and deliverable management plan is agreed for the increasing DSG costs. The Council should:

- ensure that the actions within the plan are progressed in the intervening period while discussions remain in progress
- develop a plan to address the residual deficit (£63m) to bring the Council back in balance at the end of the management plan in 2030/31.

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



# Opinion on the financial statements



## Audit opinion on the financial statements

We issued an unqualified opinion on the Council's financial statements on 27 November 2024, following the November Corporate Audit Committee.

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

- give a true and fair view of the financial position of the Council as at 31 March 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 conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

## Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline.

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

We expect to issue an unqualified opinion on the Council's financial statements, following the November Corporate Audit Committee.

- No significant findings have arisen from the audit to date, however work remains in progress and subject to final quality reviews.
- Adjustments made to the draft financial statements are disclosure and narrative related and do not impact the primary statements.
- No significant control recommendations have been raised in 2023/24.

## Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report is expected to be presented to the Council's Corporate Audit Committee in November. Requests for this Audit Findings Report should be directed to the Council.

# Opinion on the Avon Pension Fund statements



## Audit opinion on the financial statements

We issued an unqualified opinion on the Council's financial statements on 27 November 2024, following the November Corporate Audit Committee.

## Consistency report on the financial statements within the Pension Fund Annual Report

The Pension Fund is required to publish its Annual Report by 1 December 2024. We issue an auditor's consistency report which includes our opinion that the 2023/24 Avon Pension Fund financial statements within the Pension Fund Annual Report are consistent, in all material aspects, with those within the audited administering authority's Financial Statements.

We expect to issue an unqualified consistency report on the pension fund financial statements contained within the Pension Fund's Annual Report following the November Corporate Audit Committee..

## Grant Thornton provides an independent opinion on whether the Pension Fund's financial statements:

- give a true and fair view of the financial position of the Pension Fund 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 conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Pension Fund in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

## Findings from the audit of the financial statements

The Pension Fund provided draft accounts in line with the national deadline.

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

We expect to issue an unqualified opinion on the Pension Fund's financial statements, following the November Corporate Audit Committee.

- No significant findings have arisen from the audit to date, however work remains in progress and subject to final quality reviews.
- Adjustments made to the draft financial statements are disclosure and narrative related and do not impact the Fund's Net Asset Statement or Fund Account.
- No significant control recommendations have been raised in 2023/24.

## Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Pension Fund's Corporate Audit Committee on 25 September 2024. Requests for this Audit Findings Report should be directed to the Pension Fund.

# Use of auditor's powers

We bring the following matters to your attention:

	2023/24
<p><b>Statutory recommendations</b></p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.</p>	<p>We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.</p>
<p><b>Public Interest Report</b></p> <p>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.</p>	<p>We did not issue a public interest report.</p>
<p><b>Application to the Court</b></p> <p>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.</p>	<p>We did not make an application to the Court.</p>
<p><b>Advisory notice</b></p> <p>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:</p> <ul style="list-style-type: none"> <li>• is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,</li> <li>• is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or</li> <li>• is about to enter an item of account, the entry of which is unlawful.</li> </ul>	<p>We did not issue any advisory notices.</p>
<p><b>Judicial review</b></p> <p>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.</p>	<p>We did not make an application for judicial review.</p>

# **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.

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. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend.

Given the general election results on 4 July 2024 any changes to government policy relating to the sector are at present uncertain.

## Local context

Bath and North East Somerset Council (the Council) is a unitary council formed in 1996 with an estimated population of 195,618 residents (ONS 2022). The Council covers approximately 135.2 square miles. Bath has the largest urban population (50%) with other smaller towns being Keynsham, Midsomer Norton and Radstock. The remaining population is spread across diverse rural communities.



Pupils within the Council area achieve grades above the national average and 52% of the population are educated to degree level or above. The unemployment rate reported in the year ending September 2023 was 2.4%, which was below the national average of 3.7%.

The Council operates under an Executive decision-making model, which oversees the formation of all major policies, strategies and plans and as such the Council's formal decision making and governance structure constitutes the Full Council and an Executive (the Cabinet).

The Council has 59 councillors, and the Council is elected every four years. The most recent elections were in May 2023 when the Liberal Democrats maintained control increasing their majority to 41 elected councillors.

# 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;

2023/24 was a challenging financial year, with high inflation and rising social care costs for adults and children’s services. The Council delivered a slight overspend of £0.13m at the end of the year, funded from the budget contingency reserve. There were overspends in the following service areas, Children’s and Adult Social Care, Waste and Fleet Management. In addition, the Dedicated Schools Grant (DSG), high needs block continued to overspend and the deficit increased above planned levels.

In February 2024 the Council agreed a balanced budget for 2024/25 which identified a savings requirement of £16.42m, supported by a five-year Medium Term Financial Strategy (MTFS).

In 2022/23 a significant weakness was identified as the Council did not have proper arrangements in place to address the DSG deficit, this significant weakness remains in 2023/24. In 2022/23 the Council was accepted as part of the Department for Education’s Safety Valve (SV) Programme and secured additional funding of £19.22m over the next seven years. However, due to the deteriorating position in 2023/24 the agreement was suspended and funding paused. Further details are set out on pages 9 and 19.

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

The MTFS approved in November 2023 outlined the need for the Council to find £35.3 million in savings over five years with the 2024/25 budget requiring £17.31m in savings. This savings target was later revised to £16.42m following the spending review. A 3-year (2024/25 - 2026/27) Savings and Income Generation Proposal was included within the budget papers and agreed by members.

The Council forecasted at quarter one (2024/25) that 83% of the savings included within its Savings Proposal will be delivered. In 2023/24 the Council delivered 76% of its planned savings (£10.98m out of £14.38m), 90% in 2022/23 (£10.63m out of £11.87m) and 93% (£7.89m out of £8.48m) in 2021/22. This rate of delivery demonstrates a reasonable track record for delivering savings. The Council reported on savings delivery during the year, but we consider that these arrangements could be improved, see page 20 for further detail.

**Improvement recommendation 1: The Council should enhance its reporting arrangements for savings to Cabinet, ensuring that all savings are accurately profiled.**

The Council has established a transformational programme to enable it to manage demand, reduce costs but also to identify savings. However, the transformational programme is not yet delivering savings which translate into cashable savings for inclusion into the MTFS. The Council needs its transformation programme to help reduce demand and contain service overspends. We raised an improvement recommendation in 2022/23 on the transformational programme and this recommendation remains outstanding, see page 39. We also consider that the Council should develop a Council wide overview of the transformation programme.

**Improvement recommendation 2: In order to enhance the governance arrangements and savings delivered through transformation the Council should identify and document all its transformation activities within one plan.**

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)



We considered how the audited body:

## Commentary on arrangements

## Assessment

<p>plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities</p>	<p>The Council's MTFS and annual budget are the Council's primary strategic and annual financial documents which set out the Council's anticipated position. These documents are aligned to its corporate objectives. The budget report for 2024/25 approved in February 2024 addressed key areas of strategic priority and focus over the next two years, such as delivering the "Being Our Best" Programme, developing a new strategy and service provision for Adult Social Care Services, ensuring financial sustainability in Children's services, and implementing a new Economic Strategy that prioritises green growth, good jobs, and affordable housing.</p> <p>The Council's approach to the Capital program, as outlined in the MTFS, ensures that sufficient funds are invested in critical assets to support key services, aligning with the Corporate objectives. Additionally, the Treasury Management Strategy Statement for 2024/25 outlined the Council's borrowing and investment activities, which are aimed at maintaining liquidity and covering pension costs while aligning with the overall financial strategy. The Council also emphasises the consideration of impacts on inequalities, health and well-being, and safeguarding in the budget reports, in line with the five priorities of the Corporate Strategy.</p>	<p>G</p>
<p>ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system</p>	<p>The Council ensures that financial planning assumptions are consistent with key strategies such as workforce and treasury management through a range of reports and strategies. The Treasury Management Strategy and Budget Report confirm that budget assumptions align with the Council's debt strategy and prevailing market conditions. The 2023/24 Outturn report demonstrates consistency in cash-flowing capital projects in line with the Treasury Management Strategy, while the MTFS aligns financial plans with workforce strategies and savings requirements. The Capital Strategy confirms a commitment to consistent financial planning assumptions and asset management strategies.</p>	<p>G</p>
<p>identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans</p>	<p>The outturn report for 2023/24 showed an improvement in revenue outturn and delivered a small overspend, after accounting for transfers and carry forwards. The Council has managed risks to its financial position through corporate interventions and department-specific plans.</p> <p>The 2024/25 budget report outlines the financial risks and pressures, such as inflationary pressure, operational budget pressures, and changes to government policy and has identified a corresponding reserve range to address these risks. The 2024/25 budget included a budget contingency of £3m to mitigate slippage on savings delivery.</p> <p>The 2024/25 MTFS has incorporated sensitivity analysis which includes a range of +/- 20% on the budget growth estimates. This covers various factors such as contract inflation, demography, and rebasing of budget pressures. Scenario analysis has not been undertaken. We note that an external review undertaken in October 2023 on the Council's heritage assets recommended the Council perform regular scenario analyses on pricing strategies to maximise revenue and adapt to market conditions.</p>	<p>G</p>

- 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.

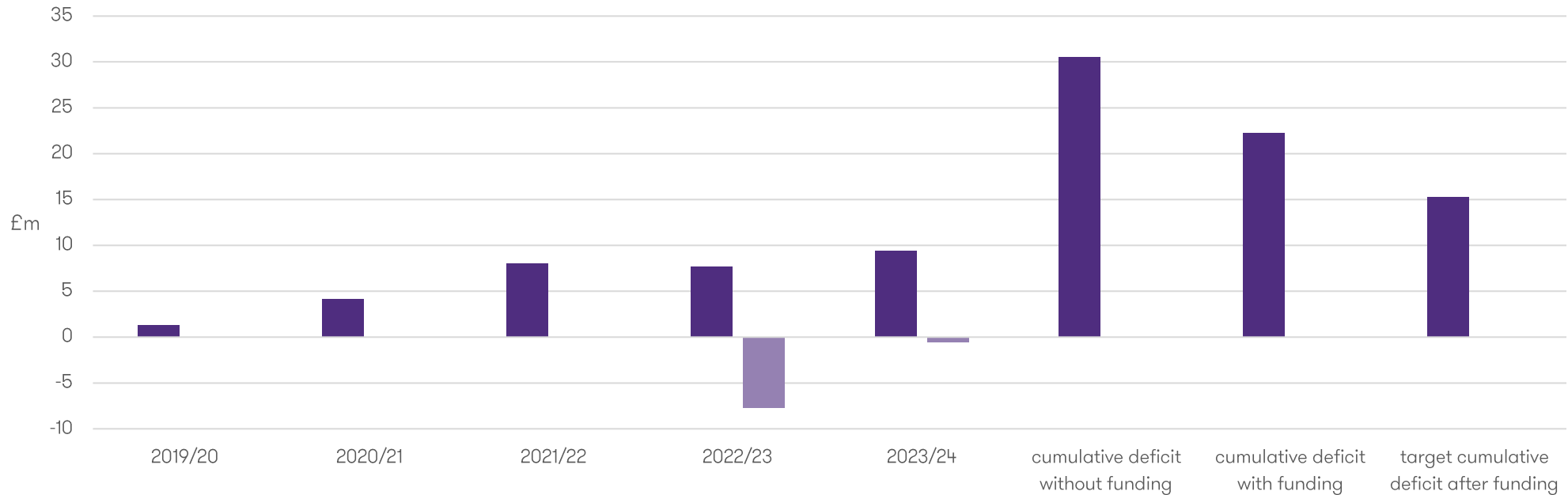
# Financial sustainability (continued)



## Significant weakness identified

On page 5 in the Executive Summary and on page 16, we identified the significant weakness relating to the DSG deficit. The following chart illustrates the increasing deficit since 2019/20 and the funding received to date from the DfE.

Dedicated Schools Grant Deficit



**Key Recommendation 1:** The Council should continue to work with the DfE to ensure a realistic and deliverable management plan is agreed for the increasing DSG costs. The Council should:

- ensure that the actions within the plan are progressed in the intervening period while discussions remain in progress
- develop a plan to address the residual deficit (£63m) which is expected to exist at the end of the management plan in 2030/31 to bring them back in balance.

# Financial sustainability (continued)



## Areas for improvement

In 2023/24 Cabinet received updates on savings delivery against the plan with a brief narrative under each directorate. We consider that arrangements could be improved and would enable Cabinet to more effectively challenge performance if they included:

- RAG ratings indicating the risk in delivery of savings
- identification of balancing figures where savings not yet identified
- additional plans to mitigate slippage or shortfall in planned savings
- details on reasons for slippage.

Within the 2023/24 Savings Proposal the 'Being Our Best Programme', a review and rationalisation of the Council's management and operating structures, did not deliver its planned savings and is not on track in 2024/25. Whilst these savings are likely to be deliverable the Council did not accurately take account of the time it would take to deliver these savings. The Council needs to ensure it takes account of lead in times, to cover such things as staff and union consultation.

**Improvement recommendation 1:** The Council should enhance its reporting arrangements for savings to Cabinet, ensuring that all savings are accurately profiled.

The Business Change Team support the delivery of projects included within the Transformation Programme, but there are other pockets of transformation across the Council, such as Community Services Transformation Programme. The Council does not have a Council wide plan that brings all elements of transformation together. Documenting all its transformation activities within one plan should enable the Council to enhance the governance arrangements and savings delivered through transformation. It would also enable the Council to prioritise its transformation activities and allocate resources, accordingly, including central resource such as the Business Change Team.

**Improvement recommendation 2:** In order to enhance the governance arrangements and savings delivered through transformation the Council should identify and document all its transformation activities within one plan.

# Governance



## We considered how the Audited Body:

### Commentary on arrangements

### Assessment

<p>monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</p>	<p>The Council identifies and understands its strategic risks and records them in its Corporate Risk Register (CRR). The Council's Risk Management Strategy and Framework, is overseen by the Corporate Audit Committee (CAC). The CRR is regularly reviewed by the Risk Management Steering Group and in 2023/24 was formally presented to the CAC in February 2024.</p> <p>The Council's Internal Audit Service, One West, delivers regular updates to the CAC and reports on the progress of the internal audit plan, with 27% of reviews still work in progress as at year end. The Head of Internal Audit provided a "Reasonable Assurance" opinion for 2023/24. The Internal Audit Service monitor and track the implementation of audit recommendations and as at the yearend 56% of reports with prior year Internal Audit recommendations were completed.</p> <p><b>Improvement recommendation 3: Management should ensure that recommendations raised within Internal Audit reports are actioned within the agreed timescale.</b></p> <p>We also identified that the Council had not implemented all the recommendations which it had agreed in our previous Auditor's Annual Report and considered that it would be beneficial to enhance the governance arrangements.</p> <p><b>Improvement recommendation 4: The Council should consider how its governance arrangements could be improved to ensure that recommendations raised by External Audit are addressed in a timely manner.</b></p> <p>The Council has adopted an Anti-Fraud and Corruption Strategy for 2022- 2024. This strategy is supported by related policies such as a Whistleblowing and Anti-Money Laundering Policies.</p>	<p><b>A</b></p>
<p>approaches and carries out its annual budget setting process</p>	<p>The Council's 2024/25 budget-setting process involved multiple stages, including analysis, workshops, and public consultation. The proposed budget plans were reviewed, presented to Scrutiny in February 2024 before being submitted to the Cabinet and Full Council for final approval.</p> <p>The budget was developed with input from Directors, Senior Managers, and finance staff, ensuring estimates and strategies to manage budgetary challenges were discussed and taken into account.</p>	<p><b>G</b></p>

- 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

Budget monitoring reports were presented quarterly to Cabinet during 2023/24, with the reports including revenue and capital performance. These reports identified the risks and pressures faced by the Council and enable decision makers to understand the situation and the actions required to mitigate any overspends. Measures were implemented during the year to control significant overspends in Children's Services, including setting up a dedicated project board to address budget pressures. Separate quarterly Treasury Management reports provide insights into the Council's investment and financing costs.

G

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

In 2023/24 we found that decisions were based on detailed reports and discussions. The Cabinet, led by the Council Leader and other appointed Councillors, is responsible for significant decisions and publishes key decisions in its Forward Plan, enabling scrutiny committees to review and call-in any decisions as they consider appropriate.

In 2022/23 we raised the following improvement recommendation: The Council should ensure the risk assessment undertaken to support a member decision is included within the supporting papers. The supporting member report should also set out the key risks relating to the decision. This recommendation remains outstanding.

In 2022/23 we also suggested that the Shareholder should have annual updates for the Aequus Group Business plan, and consideration should be given to the overall governance arrangements more detail can be found on page 41. These recommendations remain outstanding. Although, we understand that the articles of association only require the business plan to be approved by the shareholder every three years, as a result we have raised the following recommendation.

**Improvement recommendation 5: The Council should consider if changing the company articles for Aequus would be beneficial to ensure that shareholders are updated annually on progress and any changes in the three-year business plan.**

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:

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

The Council's governance framework is detailed in its Constitution, which includes Financial Regulations, Codes of Conduct, and various policies on integrity and anti-corruption. Senior officers have delegated authority to act under new legislation until responsibilities are formally assigned.

The Council's Local Code of Corporate Governance was updated in 2024 and integrates key values, behaviours, and protocols to ensure compliance with legal and ethical standards. Additionally, the Council is taking proactive steps to incorporate new legal requirements and enhance transparency. In 2023/24, the Council began a rewrite of the Constitution, which included revisions to contract standing orders and financial regulations, although these updates have not yet been finalised. These updates are being undertaken in response to pending legislation, notably the upcoming Procurement Act scheduled to be implemented in 2024/25.

## Assessment

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.

# Governance (continued)



## Areas for improvement

Internal Audit have adopted the Pentana system to monitor and track the status of internal audit recommendations. It is the responsibility of management to ensure recommendations are actioned.

In 2023/24 Internal Audit reported that for only 13 out of 23 reviews undertaken the recommendations were implemented within the agreed timescales.

Of the remaining ten Reviews, four had 'Limited Assurance' mostly related to IT reviews with a total of 16 high-risk recommendations covering the four reviews. The delays were caused by scheduling issues, recruitment challenges, project work delays, and resource allocation issues.

**Improvement recommendation 3:** Management should ensure that recommendations raised within Internal Audit reports are actioned within the agreed timescale.

In our previous Auditor's Annual Report we raised 12 improvement recommendations, of which only 5 (42%) have been fully implemented, as set out in appendix C. In order to ensure management address these recommendations in a timely and effective way the Council should consider how it could improve its governance arrangements to ensure agreed recommendations are actioned. This might include an action tracked regularly presented to the Corporate Audit Committee.

**Improvement recommendation 4:** The Council should consider how its governance arrangements could be improved to ensure that recommendations raised by External Audit are addressed in a timely manner.

The Aequus Group produce a three-year business plan. We understand that the company articles of association only require the business plan to be approved on a three-year cycle not annually. We would expect that performance, and circumstances would change within this time period and that the Shareholder (Full Council) would require at least annual updates.

**Improvement recommendation 5:** The Council should consider if changing the company articles of association for Aequus would be beneficial to ensure that shareholders are updated annually on progress and any changes in the three-year business plan.



# Improving economy, efficiency and effectiveness



We considered how the audited body:

## Commentary on arrangements

## Assessment

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

Cabinet received performance reports on the progress made against a key set of Strategic Performance Indicators for quarter two, three and four. The Council aimed to assess its performance against 37 Strategic Performance Indicators, however, 27 could not be rated due absence of data or targets. For a large proportion of the indicators the Council relied on third parties for the data, such as those relating to the Council plan "Focusing on Prevention" which aims to tackle inequalities and improve local areas. This lack of data and targets for a significant number of indicators has limited the Council's ability to comprehensively assess its performance against its Corporate Strategy.

In July 2024 a report was presented to Cabinet recommending revisions to the Council's Strategic Performance indicators to demonstrate better alignment and improve performance assessment against the Corporate Strategy 2023-2027.

**Improvement recommendation 6:** *In addition to revising the list of Strategic Performance Indicators, the Council should enhance its data collection and target-setting process to ensure timely and accurate data is available for all key performance indicators, allowing for a more comprehensive and timely assessment of the Council's performance against its Corporate Strategy.*

The Council has used LG Inform to identify cost-saving opportunities, highlighting potential savings in Children's Social Care. External consults were commissioned in 2023/24 to find efficiency and savings opportunities in Children's services and led to a detailed improvement plan focusing on cost reduction, demand management, and enhanced performance systems.

A

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

The Council considered and used the information provided by regulators to improve services. Children's services were last rated as 'good' by Ofsted in 2021/22 and in the Council's 2023/24 yearend performance report the latest Care Quality Commission (CQC) ratings were presented for the care facilities in Bath and North East Somerset.

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.

# 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 has a wide network of partnerships collaborating with key partners such as the West of England Combined Authority (WECA), Avon Fire Authority, and the Avon and Somerset Police and Crime Panel. These partnerships amongst others span critical areas like transport, public safety, health, and economic development. The Council's corporate documents emphasise its significant partnerships.

In 2022/23 we raised the following improvement recommendation: The Council should work closely with the West of England Combine Authority (WECA) to support (within its remit) the implementation of the required improvements to the governance of WECA (as set out in the Combined Authority's governance report). Despite governance challenges highlighted by a 2023/24 Best Value Notice, the Council is committed to supporting WECA's improvement journey and manages partnership risks through its corporate risk register. However, we understand that significant governance issues remain within WECA. These issues are not as a result of behaviours and failings from the Council's perspective, but do have an impact on the effectiveness of the partnership. Therefore, it is our view that this recommendation should remain. Further details are set out on page 42.

**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

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

The Council has an up to date procurement strategy 2020-2024 which sets out the ambitions and outcomes for improvement. This strategy has been refreshed to reflect the new Procurement Act 2023 and is framed around six priority themes. This refreshed procurement strategy was approved by Cabinet in September 2024. However, it does not have a contract management framework. The Council maintains a list of key contracts, however, the Council has not agreed or regularly undertaken performance monitoring of these contracts using agreed key performance indicators. In 2023/24 the Council participated in the Contract Management Pioneer Programme delivered by Local Partnerships, this programme resulted in a range of recommendations, including the need to develop a contract management framework. We understand that these recommendations have yet to be implemented as the Council were progressing the refresh of its strategy first.

In 2023/24 nine contract waivers were authorised, compared to 13 in 2022/23. We understand that in both years all were below EU limits and for each year five were above £100k. The Council does not report the number and total value of its contract waivers and breaches to members, such as the Corporate Audit Committee. The improvement recommendations raised in our previous AAR remains outstanding, as noted on page 42.

The Council has reviewed and is in the process of updating its Contract Standing Orders to take into account the new Procurement Act 2023. Scrutiny, CMT and officers have been updated on the new legislation, including the opportunities and changes required from October 2024 when the legislation comes into force.

**Improvement recommendation 7:** The Council should implement the recommendations raised by the Contract Management Pioneer Programme, which includes development of a contract management framework.

The Council has arrangements in place to ensure large capital projects are monitored and effectively managed. Regular updates through quarterly Revenue and Capital Budget Monitoring reports are provided to Cabinet. These reports provide detailed forecasts against the approved Capital Programme budget, with specific attention to variances. In 2023/24, a year-end variance of £18.704m was reported, largely planned for re-phasing into 2024/25. Detailed breakdowns by portfolio and explanations for slippage are included in these reports. Additionally, the Capital Strategy Group reviews the capital programme as part of the budget-setting process, focusing on maintenance, investment, and service delivery improvements.

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

The Council monitored and reported its performance against its Corporate Plan based upon 37 Strategic Performance Indicators, however, 27 could not be rated due absence of data or targets. This lack of data and targets for a significant number of indicators has limited the Council's ability to comprehensively assess its performance against its Corporate Strategy.

In July 2024 a report was presented to Cabinet recommending revisions to the Council's Strategic Performance indicators to demonstrate better alignment and improve performance assessment against the Corporate Strategy 2023-2027.

**Improvement recommendation 6:** In addition to revising the list of Strategic Performance Indicators, the Council should enhance its data collection and target-setting process to ensure timely and accurate data availability for all key performance indicators, allowing for a more comprehensive and timely assessment of the Council's performance against its Corporate Strategy.

The Council has a procurement strategy which sets out the ambitions and outcomes for improvement. However, it does not have a contract management framework. The Council maintains a list of key contracts, however, the Council has not agreed or regularly undertaken performance monitoring of these contracts using agreed key performance indicators. Recognising this, the Council began updating its procurement strategy to include a more structured approach, which was agreed by Cabinet in September 2024. However, challenges such as a recruitment freeze and the restructuring exercise has delayed progress, leaving contract management issues unaddressed.

In 2023/24 the Council participated in the Contract Management Pioneer Programme delivered by Local Partnerships, this programme resulted in arrange of recommendations, including the need to develop a contract management framework. We understand that these recommendations remain outstanding.

**Improvement recommendation 7:** The Council should develop an action plan and implement the recommendations raised by the Contract Management Pioneer Programme, which includes development of a contract management framework.

# VfM findings Avon Pension Fund

## We considered how the audited body:

## Commentary on arrangements

## Assessment

Bath and North East Somerset Council is the administering authority for Avon Pension Fund (APF) and we are required to consider the Council's arrangements in respect of the governance and management of Avon Pension Fund (AVP).

The following committees met during 2023/24:

- Avon Pension Fund Committee (the Fund Committee) - the decision-making committee with delegated authority from the Council
- Avon Pension Board (the Board) - its role is to ensure the effective governance of the Local Government Pension Scheme and compliance with regulations and legislation.

Avon Pension Fund (the Fund) continued to manage its resources, monitor performance, and manage its risks throughout 2023/24. Regular meetings were held for the Fund Committee and the Board. Key strategies and statements were discussed and agreed by the Fund Committee, such as the Funding Strategy Statement and Investment Strategy Statement. Costing and financial performance was closely monitored, with regular updates on both operational performance and investment outcomes.

The Fund has continued to face challenges such as staffing vacancies and rising case demand and has taken steps to address these issues, including engaging external consultants to review processes and controls.

Overpayments have been made and this issue has been reported by the Fund management to the Fund Committee and the Board. Pension Increase errors were identified in the period, most of which have now been rectified and the Fund has a plan to rectify the remaining cases in the coming months. We do not consider these to indicate weaknesses in arrangements as the Fund has resolved or is resolving these issues.

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.

**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><b>Key Recommendation 1:</b> The Council should continue to work with the DfE to ensure a realistic and deliverable management plan is agreed for the increasing DSG costs. The Council should:</p> <ul style="list-style-type: none"> <li>ensure that the actions within the plan are progressed in the intervening period while discussions remain in progress</li> <li>develop a plan to address the residual deficit (£63m) to bring the Council back in balance at the end of the management plan in 2030/31.</li> </ul>	Key	Financial sustainability	The aim of the original Safety Valve (SV) plan was to breakeven in 2028/29 after receiving £19.22m from the DfE. However, at the end of 2023/24 the Council was £7.06m (cumulative deficit of £22.263m) behind plan. In 2023/24 the SV was suspended, and the Council was put under enhanced measures. A new management plan has been developed. This plan was submitted to the DfE in May 2024, as yet the Council has not received a response. The revised plan now extends to 2030/31 and no longer breaks even but plans to have a cumulative deficit of £63m at the end of 2030/31.	The lack of effective actions to address the increasing DSG costs has resulted in an increase in the deficit and will impact the Council's ability to maintain financial sustainability.	<p><b>Actions:</b> During 2023/24 the council commissioned external, expert advice to support a review of our DSG cost and delivery plan. The council liaised closely with DfE to put in place revised plans and we are awaiting a formal response on our revised plan and timeline. Additional financial and programme resources has been allocated to oversee delivery of the three key strands of work and delivery continues whilst we await a response from colleagues in the DfE. Bullet 1 is therefore noted and agreed.</p> <p>We will work collaboratively with DfE on plans that do not put the council's financial position at risk.</p> <p><b>Responsible Officer:</b> Director – Education &amp; Safeguarding</p> <p><b>Executive Lead:</b> Director of Children's Services &amp; Education</p> <p><b>Due Date:</b> Ongoing</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
IR1 The Council should enhance its reporting arrangements for savings to Cabinet, ensuring that all savings are accurately profiled.	Improvement	Financial sustainability	<p>In 2023/24 Cabinet received updates on savings delivery against the plan with a brief narrative under each directorate. Arrangements could be improved and would enable Cabinet to more effectively challenge performance if they included:</p> <ul style="list-style-type: none"> <li>RAG ratings indicating the risk in delivery of savings</li> <li>identification of balancing figures where savings not yet identified</li> <li>additional plans to mitigate slippage or shortfall in planned savings</li> <li>details on reasons for slippage.</li> </ul> <p>Individual savings did not always take account of the time it would take to deliver the savings. Complex savings often require long lead in times.</p>	Improving the information provided to decision makers enables them to more effectively review and challenge performance.	<p><b>Actions:</b> Enhanced savings reporting will be included in the 2024/25 quarterly revenue budget monitoring reports. The changes will be reflected from the Q2 report to Cabinet (November 2024).</p> <p><b>Responsible Officer:</b> Head of Financial Management</p> <p><b>Executive Lead:</b> Executive Director – Resources</p> <p><b>Due Date:</b> November 2024</p>
IR2 In order to enhance the governance arrangements and savings delivered through transformation the Council should identify and document all its transformation activities within one plan.	Improvement	Governance	<p>The Council does not have a Council wide plan that brings all elements of transformation together. Documenting all its transformation activities within one plan should enable the Council to enhance the governance arrangements and savings delivered through transformation. It would also enable the Council to prioritise its transformation activities and allocate resources accordingly, including central resource such as the Business Change Team.</p>	The Council does not have a strategic view of all transformation and is not able to effectively prioritise resources.	<p><b>Actions:</b> Draft single transformation plan for whole council will be completed by Dec 2024. Single plan reviewed by Executive Leadership Team (ELT) and cabinet and finalised for publication by 1 April 2025 at the latest.</p> <p><b>Responsible Officer:</b> Head of Business Change Hub</p> <p><b>Executive Lead:</b> Director of People and Change</p> <p><b>Due Date:</b> 1 April 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
IR3 Management should ensure that recommendations raised within Internal Audit reports are actioned within the agreed timescale.	Improvement	Governance	It is the responsibility of management to ensure recommendations are actioned. In 2023/24 Internal Audit reported that for only 13 out of 23 reviews undertaken the recommendations were implemented within the agreed timescales.	Improvements are not addressed in a timely manner.	<p><b>Actions:</b> Council agrees that implementing Internal Audit recommendations in a timely manner are important. However, it already has a robust follow-up process which includes a clear escalation protocol and reporting framework to senior management and the Audit Committee. We are not aware of any significant outstanding risks that have not already been reported and have a governance process in place which it will continue to enforce. If the Head of Audit believes further escalation is required, he will report the outcome of this to the Audit Committee and/or the Corporate Management Team.</p> <p><b>Responsible Officer:</b> Head of Audit &amp; Assurance</p> <p><b>Executive Lead:</b> Director of Financial Services, Assurance &amp; Pensions</p> <p><b>Due Date:</b> Ongoing</p>
IR4 The Council should consider how its governance arrangements could be improved to ensure that recommendations raised by External Audit are addressed in a timely manner.	Improvement	Governance	In our previous AAR we raised 12 improvement recommendations, of which only 5 (42%) have been fully implemented, as set out on in Appendix C. The Council should consider how it could improve its governance arrangements to ensure agreed recommendations are actioned by management.	Improvements are not addressed in a timely manner.	<p><b>Actions:</b> The Audit Committee is able to follow-up progress of external audit recommendations where required and this can also be included in the Annual Governance Review process.</p> <p><b>Responsible Officer:</b> Head of Audit &amp; Assurance</p> <p><b>Executive Lead:</b> Director of Financial Services, Assurance &amp; Pensions</p> <p><b>Due Date:</b> Ongoing</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
IR5	Improvement	Governance	The Aequus Group produce a three-year business plan. Current company articles only require the business plan to be approved on a three-year cycle not annually. We consider that more regular reporting in public meetings is required to ensure the Shareholder is fully informed and able to make informed decisions in an open and transparent way.	The shareholder is not kept up to date on a regular basis.	<p><b>Actions:</b> Aequus is updating its current three-year business plan which will be presented, and subject to agreement, approved by the Shareholder and aligned with the approval of the B&amp;NES Housing Plan. The Shareholder is provided with regular updates on Business Plan progress as part of scheduled meetings with the Shareholder, including:</p> <ul style="list-style-type: none"> <li>• Monthly Meetings of the Chair, MD with Shareholder and Lead Officer.</li> <li>• Quarterly updates from Aequus to the Council Investment Panel/Shareholder against Business Plan Objectives.</li> <li>• Six monthly Interim and Annual General Meeting of the Company with the Shareholder.</li> <li>• Six monthly updating to the Scrutiny Panel against Business Plan Objectives.</li> <li>• Annual Reporting of Accounts to the Council Audit Committee.</li> </ul> <p>The Council will explore whether it is practical and an effective use of resources to amend the company articles to formalise annual Shareholder updates, given that these updates already happen in practice.</p> <p><b>Responsible Officer:</b> Director-Capital &amp; Housing</p> <p><b>Executive Lead:</b> Executive Director of Sustainable Communities</p> <p><b>Due Date:</b> 31 December 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
IR6 In addition to revising the list of Strategic Performance Indicators, the Council should enhance its data collection and target-setting process to ensure timely and accurate data availability for all key performance indicators, allowing for a more comprehensive and timely assessment of the Council's performance against its Corporate Strategy.	Improvement	Improving 3Es	<p>The Council monitored and reported its performance against its Corporate Plan based upon 37 Strategic Performance Indicators, however, 27 could not be rated due absence of data or targets. This lack of data and targets for a significant number of indicators has limited the Council's ability to comprehensively assess its performance against its Corporate Strategy.</p> <p>In July 2024 a report was presented to Cabinet recommending revisions to the Council's Strategic Performance indicators to demonstrate better alignment and improve performance assessment against the Corporate Strategy 2023-2027.</p>	Implementation of this recommendation should enable more effective performance monitoring of the corporate priorities.	<p><b>Actions:</b> Put in place a new quarterly monitoring system for Corporate Strategy performance indicators, based on updated indicators as agreed by Cabinet.</p> <p><b>Responsible Officer:</b> Head of Corporate Office</p> <p><b>Executive Lead:</b> Executive Director – Resources (S151)</p> <p><b>Due Date:</b> Q3 2024/25</p>
IR7 The Council should develop an action plan and implement the recommendations raised by the Contract Management Pioneer Programme, which includes development of a contract management framework.	Improvement	Improving 3Es	<p>The Council does not have a contract management framework. The Council maintains a list of key contracts however, the Council has not agreed or regularly undertaken performance monitoring of these contracts using agreed key performance indicators.</p> <p>In 2023/24 the Council participated in the Contract Management Pioneer Programme delivered Local Partnerships, this programme resulted in a range of recommendations, including the need to develop a contract management framework. We understand that these recommendations remain outstanding.</p>	Effective contract management could result in reduced costs and savings.	<p><b>Actions:</b> The Council has already compiled an action plan for each of its key priorities included within its refreshed Procurement Strategy which includes improvements in Contract Management. These actions are to be implemented over the long term (multi-years) and will be monitored internally via the Procurement Steering Group.</p> <p><b>Responsible Officer:</b> Head of Procurement</p> <p><b>Executive Lead:</b> Director – Financial Services, Assurance &amp; Pensions</p> <p><b>Due Date:</b> Action Plan completed September 2024, delivery 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.

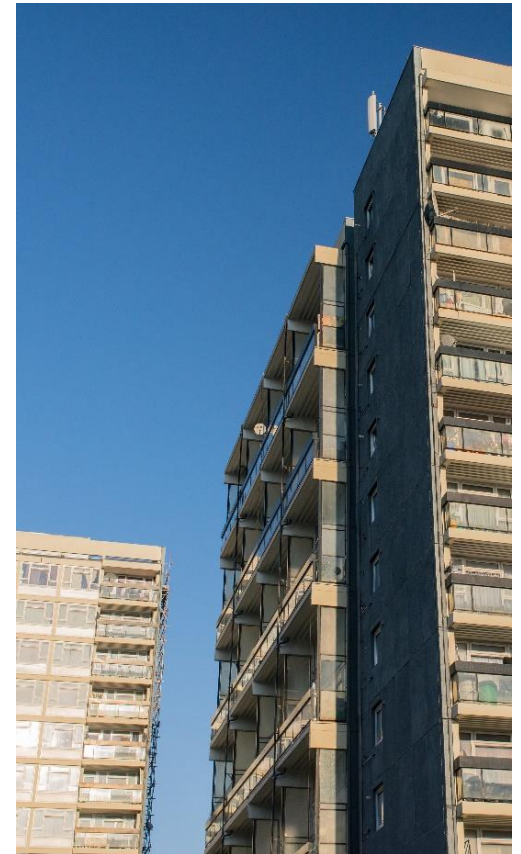
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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 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 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 needs to take action to address the shortfall in the Dedicated Schools Deficit (DSG) recovery plan.	Key	November 2023	The aim of the original Safety Valve (SV) plan was to breakeven in 2028/29 after receiving £19.22m from the DfE. However, at the end of 2023/24 the Council was £7.06m (cumulative deficit of £22.263m) behind plan. As a result, in 2023/24 the SV was suspended, and the Council was put under enhanced measures. A new management plan has been developed (SEND collaboration). This plan was submitted to the DfE in May 2024, as yet the Council has not received a response. The revised plan now extends to 2030/31 (one year longer) and no longer breaks even but plans to have a cumulative deficit of £63m at the end of 2030/31.	No	This significant weakness remains in place, we have updated the key recommendation to reflect current arrangements and can be found on page 9.
1 The Council should monitor and report on the amount of non-recurrent savings planned and delivered each year. This information could be included in the outturn reporting.	Improvement	November 2023	In the outturn report for 2023/24 the Council identified the planned total savings and income generation required (£14.38m). This included £12.48 of ongoing base budget savings (recurrent) and £1.9m of one-off (non-recurrent savings). The Council reported that it delivered £9.66m on a recurrent basis.	Yes	No We have raised an additional recommendation on savings monitoring with budget reports on page 20.
2 Going forward the Council should ensure it takes advantage of the Transformation Programme to consider service redesign and identify savings for 2024/25 and beyond.	Improvement	November 2023	The Council's Transformation Programme includes service redesign and future savings, but is not yet at the stage where savings are included within the Medium Term Financial Strategy (MTFS).	No	Implement the original recommendation

\*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?
3 The MTFS should be strengthened by the inclusion of more detailed sensitivity and scenario analysis of the key financial risks and key demand pressures facing the Council.	Improvement	November 2023	The 2024/25 MTFS has incorporated +/- tolerance on variable contract and demand pressures to test budget sensitivity. We note that an external review undertaken in October 2023 on the Council's heritage assets recommended the Council perform regular scenario analyses on pricing strategies to maximise revenue and adapt to market conditions.	Yes	No
4 The corporate risk register should be regularly reviewed by members, either by Cabinet or the Corporate Audit Committee (CAC) in a public meeting, so that it is more easily accessible to the public.	Improvement	November 2023	In 2023/24 the CAC received its first risk management update in February 2024. This update included a copy of Corporate Risk Register as at January 2024. We understand the Council intend to review the Corporate Risk Register at every other meeting.	Yes	No
5 The Council should ensure the risk assessment undertaken to support a member decision is included within the supporting papers. The supporting member report should also set out the key risks relating to the decision.	Improvement	November 2023	The S151 Officer and Monitoring Officer have begun to challenge the inclusion of a risk assessment as part of the clearance process of reports before submission to Committee. Committee papers do not routinely identify the risks.	Partial	Implement the original recommendation
6 The business plan for the Aequus Group should be reviewed and approved by members on an annual basis, ahead of the period to which it applies. If the Corporate Policy Development and Scrutiny Panel is to have an effective scrutiny role, its members should have the opportunity to scrutinise the business plan prior to its approval by Full Council.	Improvement	November 2023	The Aequus Group produce a three-year business plan. Current company articles only require the business plan to be approved on a three-year cycle not annually. However, to compensate for this arrangement the Council informed us that that when Aequus publish their half year report (usually around Nov.) they do a review of the annual business plan and see if there are any changes to be made.	No	The Council should consider if changing the company articles would be beneficial to ensure that shareholders are updated annually on progress and any changes in the three-year business plan. See page 24.

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# Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
7 The Council should identify the risks in relation the Aequus Group and record these risks on an appropriate risk register and manage them accordingly. The risks are likely to include both reputational risks as a shareholder, as well as financial risks.	Improvement	November 2023	The risk in relation to the Aequus Group is included within the Housing Services Risk Register (May 2024) within the Resources Directorate.	Yes	No
8 The Council should improve the performance management arrangements for the Aequus Group. Specifically, it should: <ul style="list-style-type: none"> <li>determine which formal and informal member committees and groups should be involved in the performance management of the Aequus Group, what information should be reviewed, the frequently and if Cabinet should be involved</li> <li>ensure officer performance management is undertaken on a regular basis in line with the Council's own protocol for governance of local authority trading companies.</li> </ul>	Improvement	November 2023	The Council intends to review the governance arrangements and as such has not implemented the first part of this recommendation. All performance management is undertaken by informal meetings.	Partial	Implement the remaining elements of the recommendation

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# Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
9 The Council should work closely with the West of England Combine Authority (WECA) to support (within its remit) the implementation of the required improvements to the governance of WECA (as set out in the Combined Authority's governance report).	Improvement	November 2023	The Council continues to work actively at all levels with WECA on key programmes within the transformation programme, and has engaged with the Solace work commissioned by the Combined Authority. However, we understand that significant governance issues remain within WECA. These issues are not as a result of behaviours and failings from the Council's perspective, but do have an impact on the effectiveness of the partnership. Therefore, it is our view that this recommendation should remain.	No	Implement the original recommendation.
10 The Council should ensure that Cabinet receive quarterly performance reports on its strategic objectives as set out in the Corporate Strategy.	Improvement	November 2023	In 2023/24 Cabinet did not receive a quarter one performance report, but did receive quarter two in November 2023, quarter three in February 2024 and Quarter four in June 2024.	Yes	No
11 The Council should define its key partnerships and establish a register of key partnerships. The partnership register should include: • the strategic objectives to which the partnerships contribute • why the partnership is a significant partnership in line with the Council's definition.	Improvement	November 2023	The Council maintains a list of outside bodies (partnerships) on its website. It also maintains an internal list of partnerships/outside organisations with which it engages. This list includes a priority rating but has not been completed for a number of organisations. This should be completed to address alignment with its strategic objectives.	Partial	Fully implement the original recommendation.

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# Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
12 The Council should consider reviewing its process for approval of contract waivers, to ensure appropriate independence. In order to ensure transparency and financial oversight the number and extent of waivers should be reported periodically to members at a public meeting, such as Corporate Audit Committee.	Improvement	November 2023	This recommendation is outstanding.	No	Implement the original recommendation

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

