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Audit Committee

Agenda

Date: Monday, 26 July 2021

Time: 3.00 pm

Venue: The Council Chamber - City Hall, College Green, Bristol, BS1 5TR

Distribution:

Councillors: Gary Hopkins (Chair), Tony Dyer (Vice-Chair), Marley Bennett, John Geater, Zoe Goodman, Katy Grant, Jonathan Hucker, Farah Hussain, David Wilcox, Adebola Adebayo and Simon Cookson

Copies to: Simba Muzarurwi (Chief Internal Auditor), Mike Jackson (Chief Executive), Denise Murray (Director - Finance & Section 151 Officer), Nancy Rollason (Head of Legal Service), Alison Mullis, Tony Whitlock, Lucy Fleming (Head of Democratic Engagement) and Michael Pilcher

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Date: Friday, 16 July 2021

Agenda

6. Public Forum

Up to 30 minutes is allowed for this item.

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Any member of the public or Councillor may participate in Public Forum. The detailed arrangements for so doing are set out in the Public Information Sheet at the back of this agenda. Public Forum items should be emailed to democratic.services@bristol.gov.uk and please note that the following deadlines will apply in relation to this meeting:-

Questions - Written questions must be received 3 clear working days prior to the meeting. For this meeting, this means that your question(s) must be received in this office at the latest by 5 pm on Tuesday 20 July.

Petitions and Statements - Petitions and statements must be received on the working day prior to the meeting. For this meeting this means that your submission must be received in this office at the latest by 12.00 noon on Friday 23 July.

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Questions	Name
1. Company Salaries	Joanna Booth
2. Affordable Homes	Joanna Booth
3. Capital Projects	Joanna Booth
4. Affordable Housing Grants	Joanna Booth
5. Audit Assurance	Clive Stevens (Cllr Wilcox)
6. Bristol Energy	Cllr Gary Hopkins
7. Bristol Harbour	Cllr Gary Hopkins
8. Pension Fund	Cllr Geoff Gollop
9. Bristol Energy	Cllr Geoff Gollop
10. City Leap	Cllr Geoff Gollop
11.External Audit	Cllr David Wilcox
12.Internal Audit	Cllr David Wilcox
13.ITTP	Cllr David Wilcox
14.Affordable Housing Grants	Cllr David Wilcox
15.Housing Risk	Cllr David Wilcox
16. Material Accounting	Cllr Jonathan Hucker
17.Statement of Account	Cllr Jonathan Hucker

Statements	
	Name
1. Financial Statements	Cllr Geoff Gollop
2. Affordable Housing	Clive Stevens (Cllr Wilcox)

Question 1 – Joanna Booth

1. Noting that A. Booth received £33,917 for one month as managing director of Bristol Energy, and M. Majewicz was paid nearly three times the Bristol Waste Managing Director's salary, at £322,960, for one year at the £37m-loss-making company, how are external companies' salaries publicised and what control does Bristol City Council and the Audit Committee have over setting and scrutinising them?

Answer: Under the terms of the contract for A Booth's services to BE 2020 Limited (between March 2020 and the end of November 2020), some payment was required in advance. The amount paid in March 2020 does not therefore reflect one month's pro rata payment.

The figure for M Majewicz's payment includes the contractual termination payment agreed between him and BE 2020 Limited. This payment does not reflect his annual salary.

The council discloses executive salaries for its wholly owned companies in the council's annual accounts, in the same way as it does for the council's senior officers.

The council, as shareholder, must approve the salaries of the managing directors and finance directors of each of the companies. This approval is considered following a recommendation from the Bristol Holding Limited, which now has a remuneration committee to support recruitment processes and ensure adequate benchmarking exercises take place.

Question 2 – Joanna Booth

2. The mayor of Bristol has set a target of 1000 affordable homes per year being built (I assume 'each year') by 2024. Considering the current target is 450 a year in 2021-22, does the Audit Committee know how the administration are planning to get to 1000 each year?

Answer: The delivery and improvement of local services is the remit of Scrutiny (Growth & Regeneration Scrutiny in this instance). If concerns arise following the work / reviews undertaken in line with the Terms of Reference for the Audit Committee, these matters can be referred to the relevant Scrutiny Commission for consideration within their respective work plans.

Question 3 – Joanna Booth

3. The external auditor's report notes a significant weakness for the council in "managing the risks associated with a large complex capital project" and mentions City Leap's re-procurement process, which has cost the council £10m. How will audit keep track of large complex capital projects such as City Leap, which is set to be decided on by Cabinet in February 2022?

Answer: The purposes of external auditors value for money work, is to assess whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources and appropriate governance in ensuring that informed decisions are made and risks properly managed. While it is a matter of auditor judgement to determine where there are potential weaknesses in arrangements and when this is considered significant, the VFM audit guidance provides suggestions on the type of issues that could indicate a significant weakness. The suggestions are not exhaustive and include issues such as major capital projects. Following completion of the VFM work a report will be provided to the Audit Committee.

Subsequent to the VFM review, delivery of large capital projects such as City Leap will be within the remit of Scrutiny and reports will be provided for Cabinet when necessary.

Question 4 – Joanna Booth

4. In Appendix 4, Affordable Housing Grants to Registered Housing Providers, there is mention of the grants provided to Registered Housing Providers there are quite a few concerns about how the grants were managed: I note the following as an example:

-- There has been insufficient oversight of administration and record keeping, hence issues with data had not been promptly identified ▪

-- The Housing Delivery Board had met infrequently and had not set requirements for progress reporting of grant awards ▪

-- The Grant Tracker, the primary record of the progress of grant applications progress and grant award was not fit for purpose and had been poorly maintained.

--The source and accuracy of the data used for summarisation and reporting could not be relied upon

In light of these concerns, would you let me know how much grant money has gone to projects associated with the Bristol Housing Festival please?

Answer: There have been no schemes or applications funded through the programme where Bristol Housing Festival are a beneficiary either directly or indirectly. The Enabling Housing for Inclusive Growth partnership bid (Innovate) was led Bristol Housing Festival who were commissioned support the delivery of grant funded outcomes as set out in the 4 February 2020 Cabinet report. Two schemes coming forward under the Innovate Programme have been awarded grant under the AHFP: Knowle West Media Centre are a partner in the Innovate UK project. Their first 2 pilot 'We Can Make' units have been awarded grant funding of £180,000 Bristol Housing Festival were also instrumental in the delivery of the LaunchPad scheme, a pioneering housing project for young people. This was a partnership between; United Communities Housing Association, 1625 Independent People (1624ip), the University of Bristol Student Union and Bristol City Council. The Launchpad scheme was supported with £370,000 of BCC AH funding.

Question 5 – Clive Stevens

Regarding Agenda item 13 Appendix 4 – Internal audit of the control processes of affordable housing grants.

From my time on Audit Committee I recall the Chief Internal Auditor (CIA) confirming that he reports to the Chair of Audit Committee (i.e. Cllr Hopkins). This arrangement is to ensure that there is no political pressure on the CIA to cover up or hide anything.

I read the report (App 4) and was pleased with the honesty of the review. I hope you found no evidence of fraud, but as both managers responsible for this grant process left the Council during the audit – that has to be a bit concerning. And then you stopped the audit. Before stopping you discovered other issues which should worry both you and the Audit Committee like the state of the Grant Tracker; the primary record for tracking grants, described as not fit for purpose and poorly maintained.

I also recall from previous Audit Committee meetings that many, perhaps most grants, have to be paid back if they haven't been administered within the agreed conditions.

Despite these basic failings you give this review an opinion of Limited Assurance, Not an opinion of No Assurance.

Question 1:

-What, please, is the definition used in the Council for an audit review to achieve a rating of No Assurance. (I'm hoping Audit Committee might discuss whether No Assurance should really apply here).

Answer: The Council's Internal Audit Service's definition for an opinion of 'No Assurance' is 'The risk management, internal control and governance processes are generally poor and as such service objectives are at significant risk. For an opinion of 'Limited Assurance' the definition is 'There are weaknesses in the risk management, internal control and governance processes; putting service objectives at risk.'

The Chief Internal Auditor exercises professional judgement in assigning the assurance opinion, having regard to the audit findings, the rating of the risks associated with those findings and the actions already being taken or proposed by management in response to the audit findings. Regarding this audit, it was undertaken at the request of management as they had already identified issues with service delivery and administration but wanted independent scrutiny of the position. While the audit findings were significant the positive actions already taken by management together with the further proposed actions led to the Chief Internal Auditor assigning an assurance opinion of 'Limited Assurance'.

Question 2:

-Are these affordable housing grants under conditions that means they need to be paid back if there are errors, if so, have you had a chance to estimate if the Council is at risk?

Answer: The Affordable Housing Grant Programme is funded directly by the Council through a combination of prudential borrowing and commuted sums rather than government grant.

There is therefore no risk that the Council would have to repay funding if there are errors in the award of Affordable Housing Grant.

The Council releases grant funding to applicants on the achievement of agreed milestones. Grant agreements include provisions that allow the withholding, or clawback, of funding should the grant funded outcomes not be achieved. This significantly reduces the risk that grant funding is not used for the intended purpose.

Question 6 – Cllr Gary Hopkins

For independent auditor

Re: Bristol energy

There seems to have been a significant change of policy and purpose for the company early on in its operational life. It moved to become a mass account seller.

Can we pinpoint the decision making and who was aware of the change?

Answer: I can confirm that the BE matters queried by Councillor have been specifically addressed in our further work on BE. I am currently considering the draft report and will shortly be in a position to issue it to officers for their comments, prior to updating members.

Question 7 – Cllr Gary Hopkins

Internal Audit - Bristol docks

You raised concerns regarding temporary staff only managing operations. Has this improved?

The actual losses were reduced by a clear out of staff.

Were the temporary staff properly costed against the docks

Were the staff removed in accordance with proper procedures?

Where have the costs of legal settlements/tribunals been accounted for?

Answer: For clarity, this audit was limited to the activities of the Harbour Office only. This internal audit was previously discussed by the last Committee is not part of the Agenda for the meeting on 26 July. This report was presented to the Chairman and Vice Chair only in fulfilling the request for a briefing on the matter by the Chairman. This audit will be subject to a follow up audit and the outcomes from that audit will be presented to the Audit Committee in January 2022. This is already on the work programme. Our responses are limited to what was covered during this audit.

Response to specific questions

You raised concerns regarding temporary staff only managing operations. Has this improved?

There had been historical challenges but at the time of the audit that had improved. It is anticipated that the positive impact of the changes would be reflected in the follow up audit in this financial year.

The actual losses were reduced by a clear out of staff.

This was not covered by the audit, so we do not know.

Were the temporary staff properly costed against the docks

Not part of the audit scope so we do not know.

Were the staff removed in accordance with proper procedures?

This was not covered by the audit, so we do not know.

Where have the costs of legal settlements/tribunals been accounted for?

Not part of the audit scope so we do not know.

Question 8 – Cllr Geoff Gollop

1. Please explain how a fall in bond yields increased the pension fund deficit?

Answer: A pension deficit arises when the pension liabilities are greater than the pension assets. The pension assets reflect Bristol City Council's share of the Avon Pension Fund investment assets as valued at 31st March 2021. The pension liabilities are more complex to understand as they are based on the value of the defined benefit pension promises made to the members of Bristol City Council (that is all the active, deferred, pensioner and dependent members). The accounting standard (IAS19), to maintain consistency in financial reporting across organisations, prescribes how the pension liabilities are calculated. IAS19 requires that the value of the pension promises is discounted to the present value using a discount rate based on the yields of high quality corporate bonds as at 31st March 2021. The corporate bond yield used at 31st March 2020 was 2.4% and fell to 2.1% at 31st March 2021. The lower the discount rate, the higher the present value of the liabilities. The liabilities figure is very sensitive to small changes in the discount rate (in this case 0.3%) because it applies to a very large liabilities figure. Therefore, this year, the fall in bond yields is directly related to the increased pension fund deficit.

2. Is it possible that the narrative should refer to the fall in bond values as a result of falling interest rates?

Answer: Whilst there is a link between interest rates and bond yields, during the past year interest rates have been consistently low. Therefore, there are other factors in the financial markets contributing to the low corporate bond yields, including financial risk.

3. Given bonds made up 14% of total investments at 31 March 2020 and 22.6% at March 2021, why did the fund choose to invest in bonds when the rest of the investment market was choosing equities and alternatives?

Answer: The Fund has not changed the allocation to bonds or credit between the two dates; the increase in the value of the gilt portfolio was due to the impact of the inflation hedging strategy. The inflation exposure is hedged as the pension benefits are linked to CPI; the hedge protects the funding position from changes in inflation and so keeps contribution rates more stable. In March 2020 inflation expectations in the gilt market fell sharply which due to the hedge meant the value of the assets fell; however, this was offset by a similar impact on the liabilities, so the funding position was protected. As inflation expectations rose during the year, the hedge increased the asset value offsetting a similar increase in the liabilities.

4. Was the investment policy as a result of regulator instruction, or investment advice?

Answer: The Investment strategy is based on expert investment advice and the objective is to adequately fund the pension payments as they fall due over time and to provide as stable as possible contribution plans for employers. Under the LGPS regulations APF are required to explain in the Investment Strategy Statement how they will achieve this and manage the investment risks inherent in the strategy. In addition, the LGPS regulations require APF to take expert advice.

5. Who gave the advice?

Answer: Mercer Investment Consultants

6. Which cabinet member is responsible for the pension fund and pension contribution?

Answer: Bath and North East Somerset Council is accountable and responsible for the management of the Avon Pension Fund and this is managed through the Avon Pension Fund Committee.

In terms of Bristol City Council, we have limited direct powers. Our employer contributions to the APF are determined after considering independent advice by the Fund's Actuary. The report compares the triennial valuation results to the prior valuation results as well as looking at the assumptions used, the investment strategies, the ranges of recovery periods and recovery plans The employer rate is then agreed between the council and pension fund through the Section 151 Officer in consultation with the Deputy Mayor for Finance, Governance and Performance.

7. Who is the senior lead officer on the pension fund?

Answer: For financial matters it is the Director of Finance (s151 Officer). For human resources related matters it is the Head of Human Resources

8. Who are the Councils representatives on the 13-person body that runs the Avon Pension?

Answer: Bristol City Council only has one seat on the Avon Pension Fund Committee, and this is occupied by Councillor Steve Pearce.

9. How do the cabinet member and senior officer convey instructions to that person?

Answer: Senior officers and the Cabinet Member cannot instruct the appointed Councillor who represents Bristol City Council on the Avon Pension Fund on how to act in that role but do provide advice as required. The appointed Councillor must act in accordance with their obligations as a member of the Pension Fund. The Director of Finance meets with the Council's representative in an informal manner to discuss and clarify matters and if appropriate provide advice in her role as s151 officer.

10. Are the meetings and instructions evidenced?

Answer: Not applicable. See above.

11. Given the materiality of the sums involved what scrutiny is able to occur in respect of the pension fund?

Answer: The Human Resources Committee receives an annual report from the Councillor who represents the Council on the Pension Committee and this enables local scrutiny. The Avon Pension Fund also has its own scrutiny arrangements. The Avon Pension Board, made up of employer and member representatives, assists in good governance of the scheme through the monitoring of Fund performance and adherence to statutory duties. The Avon

Pension Fund is also subject to an annual external audit, currently undertaken by Grant Thornton as is the Council Accounts.

Question 9 – Cllr Geoff Gollop

12. The Financial statements say the investment in BE is fully impaired-£37m, and that there is a further charge in 2021 accounts of £3,7m. Does this mean that the total cost of the BE investment was £40.7m?

Answer: The total value of the investment was £36.5m and has been fully impaired in BCC's 20/21 accounts. A indemnity of up to £7.3m has been agreed to meet future costs as we progress towards the orderly wind down of the company and any potential company liabilities(including Renewables Obligation Certificates (ROCs) liabilities) that could arise during this final stage. During the year £2.7m was drawn down from this fund. In the accounts at 31 March 2021 an estimated £3.7m provision has been outlined to reflect liabilities associated with winding up of Bristol Energy.

13. Were there any other costs such as money channelled through City Leap that should also be included?

Answer: No. Services commissioned via City Leap are not part of the company investment. All transactions between the Council and Bristol Energy are disclosed within related parties transaction notes.

14. There is reference to the interest receivable being written off. What was the total amount written off and how much of that was in the 2021 accounts?

Answer: The total value of the preference share interest accrued in BCC's accounts was £6.448m. However, it is important to note the annually approved business plan did not assume payment of these dividends and they have been provided for in full, on a year on year basis in the Council's accounts. After 31 March 2021 a decision was made to convert the preference shares to ordinary shares to facilitate the winding down of the business and formally write off the preference share interest. A post balance sheet event note explaining this will appear in the next draft of the accounts to be published on the Council's website on 29 July.

15. Are there any further costs from 1st April 2021 up to the appointment of the liquidator that will need to be reflected in the 2022 accounts?

Answer: Cabinet had previously agreed an indemnity agreement of up to £7.3m to meet future costs. Liabilities and receipts continue to be finalised and in April 2021 a further £3.7m has been paid. The net position (liabilities and receipts) will be disclosed within the Council's accounts for 2021/22.

16. Do Grant Thornton accept that the cumulative loss in respect of BE is sufficiently material to the accounts that a note quantifying the whole loss should be included within the accounts to present a true and fair view?

Answer: We will review the disclosures included within the draft statement of accounts when we receive them and will consider whether management's disclosures in relation to Bristol Energy are sufficient. As discussed at the last Committee, our forthcoming report will also seek to address this matter.

Question 10 – Cllr Geoff Gollop

17. In the financial year to March 2021, how much was spent on salaries, interim staff, consultants and other purchases and payments in respect of City Leap?

Answer: see table below

18. Could that information be made available by year since the inception of the project?

Answer: see table below

City Leap Spend Profile - £m	FY 18-19	FY 19-20	FY 20-21	TOTAL
Staff	0.28	0.87	0.68	1.83
Legal & Financial Advisors	0.12	0.96	0.52	1.59
Other Advisors	0.06	1.81	0.01	1.88
Misc	0.02	0.08	0.01	0.11
Total	**0.47**	**3.73**	**1.22**	**5.42**
	-	-	-	

19. I recognise the accounts are full of statutory disclosure items, but City Leap is another issue of significant member and public interest. Why do the financial statements not refer to it in more detail, with more information?

Answer: City Leap companies were dormant during 2020/21. Disclosures as required by the Cipfa Code are covered in the related party note 38 in the accounts.

Across the Council there are many issues of significant public and member interest which it simply isn't possible to include detail of all within the annual accounts. The Council ensure public and members are kept update on significant issues through a variety of forums including Cabinet, Audit Committee and Scrutiny.

Question 11 – Cllr David Wilcox

Why was Brexit not considered a factor in the report with its implications for breaks in the supply chain and problems with staff recruitment with specialist skills, i.e. Waste Vehicle Drivers?

Answer: As part of our detailed value for money review we will further consider the impact of Brexit on the three key criteria (financial sustainability, governance and improving economy, efficiency and effectiveness). We did not identify any risk of significant weakness due to Brexit at the planning stage of our review, however during the detailed review stage, if we do identify any further risk of significant weaknesses these will be raised and reported to the audit committee.

Question 12 – Cllr David Wilcox

Internal Audit Plan Progress Table - Page 256

Only four items have a status of Draft Report and one of Completed Assurance: there are twenty-two items listed for completion in Q1. Why have eighteen items not been completed? What steps will be taken to complete the reports in Q2?

Answer: The plan gives an indication of audits that are earmarked for starting in Quarter 1 and it is inevitable that some audits will be work in progress at the end of the quarter and would be finalised in the following quarter. A significant amount of grant work was completed in the quarter and we lost some time in completing audits from the previous year due to Covid disruption and from sickness absence. In addition to the imminent appointment of a fixed term Group Auditor, we will be using support from our strategic partner to progress audits in Quarter 2 so that we remain on track to deliver the approved plan by the end of the financial year.

Question 13 – Cllr David Wilcox

Internal Audit - Appendix 2 ITTP

1. Can you provide a list of the issues identified in the 2017 review and which ones have been addressed?

Answer (Director: Digital Transformation): The original issues in 2017 are commonly known as Gatecards. In total there were 197. In addition, FSA proposals were to be delivered by ITTP. A summary of the gatecards and FSA proposals is below given the numbers and level of detail involved. If line by line detail is required that can be provided.

FSA Proposal:

	Anticipated in ITTP	Delivered in ITTP
Fully Met	47	48
Partially Met	8	7
Not Met	1	1
	56	**56**

Stayed Fully Met	42
Partially Met to Fully Met	6
Not Met to Fully Met	0
Fully Met to Partially Met	5
Stayed Partially Met	2
Not Met to Partially Met	0
Fully Met to Not Met	0
Partially Met to Not Met	0
Stayed Not Met	1
	56

CSA Gatecards:

	Anticipated in ITTP	Delivered in ITTP
Fully Met	88	106
Partially Met	81	81
Not Met	28	10
	197	**197**

Stayed Fully Met	83
Partially Met to Fully Met	19
Not Met to Fully Met	4
Fully Met to Partially Met	5
Stayed Partially Met	62
Not Met to Partially Met	14
Fully Met to Not Met	0
Partially Met to Not Met	0
Stayed Not Met	10
	197

2. What monitoring was in place to provide reasonable assurance about the technical directions in how the senior officer was working?

Answer (Deputy Chief Internal Auditor): The nature of embedded assurance is that audit staff work along-side the programme as it progresses. The specialist auditor, using his own knowledge and expertise and through regular meetings and technical discussions with the senior officer and other key IT staff involved in the programme, was able to assure himself of the senior officer's technical capability and provide independent challenge and gain assurance regarding the decisions being taken. The specialist auditor concluded in terms of the technical direction that 'the services, applications and platforms offered as part of the Microsoft programme are able to provide the majority of technical transformation that the Council's previous Future Statement Assessment has identified as necessary. It will also allow this transformation to be delivered at an accelerated pace and provides a solid foundation to support future "digital" development of Council services.'

3. Why did the council lose external embedded assurance in March 2020, and why wasn't it highlighted as a risk?

Answer (Deputy Chief Internal Auditor): To complete effective assurance over such a complex IT Transformation programme requires specialist IT Auditor skills. The Council's inhouse

Internal Audit Team lacked such skills which are difficult to resource and expensive. A neighbouring local authority had an experienced IT Auditor within their team and their support was procured to provide expertise at a very competitive price. This arrangement was renewable annually and dependent upon the continued availability of their specialist auditor. In March 2020, notice was received that the specialist auditor had gained alternative employment so would not be available to support the programme going forward.

The risk with this arrangement had been recognised. The Chief Internal Auditor determined an alternative delivery model was appropriate in delivery of the whole Internal Audit Service – an inhouse team supported by strategic reach back partner to enable future resilience in accessing skills and capacity required. This arrangement is now in place but was considerably delayed due to the Covid 19 pandemic.

4. What was the budget for Programme 1?

Answer: 5th March 2019, Cabinet approved up to £12m spend on a Delivery Partner for the FSA Programme (later renamed ITTP). Actual spend was £10.3M.

Microsoft Programme	19/20	20/21	Total
	£m	£m	£m
Innovation, Governance and Process	0.704	0.524	1.228
Optimising Operations and Infrastructure	0.606	1.598	2.204
Empowering Employees	0.196	1.979	2.175
Engaging with Citizens	2.831	1.490	4.321
Additional Functionality - MIM	0.000	0.210	0.210
Staff Augmentation T&M due to BCC delays	0.114	0.084	0.198
	4.451	**5.885**	**10.336**

	£m	Note
Microsoft - Original Cost	9.616	
Changes to Contract	0.312	3.24% Deviation
	9.928	
Additional Functionality - MIM	0.210	
Staff Augmentation T&M due to BCC delays	0.198	
Total Revised Cost	10.336	6.97% Deviation

In addition to the formal programme, the Council benefitted from c£300k of work from Microsoft that was not charged to the Council. This included;

- Scrutiny and Assurance
- Strategy planning days with wider Microsoft Team(s)
- Coaching and mentoring of BCC Project and Programme Managers
- Several extensions of the scope of Cloud Modernization
- MS step-in to manage Cloud Modernization with Project Manager resource
- MS step-in to assist Win 10 rollout for 3-months (c£200k of resourcing)
- OGC Gateway Review

5. In Programme 2, deliverable by BCC, please list in a table:

- A description of each project
- start date of the project
- the planned budget
- how much was actually spent
- the percentage of completion.

Answer: A clear view on programme two has been a challenge due to the issues raised within the Audit report.

6. What project management was in place to monitor them?

Answer (Director: Digital Transformation): Highlight reports and RAID logs were produced, but these were unreliable due to a lack of project initiation, fixed and agreed scopes and financial management. These are the risks highlighted within the Audit Report.

7. Please detail common projects between the ITTP and DTP?

Answer: Some residual ITTP activity has been included within the scope of DTP

At the point of closing ITTP, several remedial and residual activities remained outstanding. These have been confirmed by the final ITTP Internal Audit report.

The Digital Transformation Programme will complete those projects where resourcing and/or other costs cannot be contained within 'business as usual' activity.

The following deliverables are proposed to be within the DTP scope;

- Windows 10 deployment and associated remaining Applications Packaging
- SharePoint migrations; network drives
- MIM/AD Remediation

8. Why did the Programme Manager leave with two weeks' notice? Senior Managers should be on two months' notice to provide continuity.

Answer (Director: Digital Transformation): The Programme Manager was on a three-month notice period. When the Programme Manager was successful in finding a new role external to the Council, agreement to a two-week notice period was reached without consultation with the Programme SRO, or confirming ITTP closure activity had been delivered.

Question 14 – Cllr David Wilcox

Affordable Housing Grants to Registered Housing Developers - Page 265

1. Please list in a table: the number of grants given, when the grant was given, the amount granted and to which organisation it was given to, since 2016.

Answer: These are the awards made as part of the current Affordable Housing Funding Programme which commenced in 2017. Since the review of the Affordable Housing Funding Policy in 2019 the programme has been open to grant funding applications from Homes West Registered Providers and not-for-profit Community Led Housing Organisations and specialist housing providers. Grant funding is available to these organisations to support the increased delivery of affordable housing in the City. Supplementary grants (marked as SG in the table below) are available to support sustainable, low carbon heating solutions (heat hierarchy), adopt modern methods of construction and incentivise the building of homes accessible for wheelchair users. Affordable Housing Funding Programme grant funding is normally released on the achievement of agreed milestones of acquisition (40% of total grant award); start on site (35%); and practical completion (25%). Some early agreements did have different funding arrangements

Scheme Name/Address	Grant Recipient (RP / CLH Org)	Total Affordable Units Funded	Total AHFP Grant Allocated (£)	Awarded / Executive Director Sign-Off (Date)	Total Funding Released To Date	Percentage to date %
Brunel Centre City Of Bristol College, College Road, Bishopston, Bristol, BS7 9BU	Live West	2	£50,000	22/06/2017	£50,000	100%
City of Bristol College, Marksbury Road, Bedminister Bristol BS3 5JL	Sovereign	24	£832,466	22/06/2017	£832,464	100%
PHASE (1) Blackberry Hill Hospital, Manor Road, Fishponds, Bristol, BS16 2EW	Sovereign	52	£1,803,672	28/09/2017	£901,836	50%
PHASE (2) Blackberry Hill Hospital, Manor Road, Fishponds, Bristol, BS16 2EW	Sovereign	8	£400,000	28/09/2017	£200,000	50%
The White Hart Pub, 181 Whitehall Road, Bristol, BS5 9BJ	Curo	14	£322,000	04/01/2018	£322,000	100%
Maze Street, Bristol, BS5 9TQ	Merlin	21	£798,000	06/06/2018	£798,000	100%

31-35 High Street, Shirehampton, Bristol, BS11 0DX	Alliance Homes	16	£528,000	19/03/2018	£528,000	100%
66 St Johns Lane, Bedminster	Solon	10	£500,000	23/07/2018	£500,000	100%
Shaldon Rd	United Communities	26	£1,275,000	18/02/2019	£956,250	75%
Speedwell Swimming Baths, Whitefield Road, BS5 7TJ	Yarlington	31	£1,860,000	18/09/2018	£1,395,000	75%
Oldbury Court, Delabere Avenue, BS16 2ND	United Communities	16	£224,000	18/09/2018	£168,000	75%
Newry Walk	Solon	6	£240,000	18/02/2019	£240,000	100%
Launchpad	United Communities	15	£370,000	20/05/2019	£370,000	100%
194 Luckwell Road	United Communities	47	£3,055,000	22/10/2018	£2,291,250	75%
414 Speedwell Road	United Communities	13	£715,000	02/07/2019	£286,000	40%
PX Centre, Bedminster Road, Bristol BS3 5NR	Solon	29	£1,450,000	01/02/2018	£1,450,000	100%
40-48 Midland Road Bristol	United Communities	30	£2,100,000	29/07/2019	£840,000	40%
40-48 Midland Road Bristol	United Communities	30	£2,250,000	11/01/2021	£60,000	40% (previous £2,100,000 award rescinded - payment includes the above £840k)
40-48 Midland Road Bristol	United Communities	SG	£500,000	11/01/2021	£200,000	40%
Victoria Ave, Redfield	Curo	10	£244,300	29/07/2019	£183,225	75%

Off shelf houses in Withywood	Alliance	10	£550,000	20/08/2019	£550,000	100%
111 Staplehill off the shelf	Solon	6	£240,000	16/07/2019	£240,000	100%
Luckwell Rd SPG Pasivhaus	UC	SG	£526,620	12/05/2020	£394,965	75%
Esso Bath Rd	Clarion	86	£6,450,000	14/12/2020	£4,837,500	75%
Lower Ashley Road, Former PFS – Devt	Solon	31	£1,090,000	14/12/2020	£817,500	75%
Lower Ashley Road, Former PFS - SPG Heat	Solon	SG	£310,000	14/12/2020	£232,500	75%
Lower Ashley Road, Former PFS - SPG Heat	Solon	SG	£25,000	14/12/2020	£18,750	75%
KWMC We Can make	KWMC	2	£180,000	26/02/2021	£0	0%
TOTAL		**505**	**£26,789,058**		**£19,663,240**	

Question 15 – Cllr David Wilcox

Corporate Risks Relating to Housing

1. Figure 2 on page 270, lists 12750 dwellings with planning permission; please provide a yearly breakdown of when the outline planning consent was given for the dwellings.

Answer: The Council's Residential Development Survey is not structured by individual planning permissions, so this information is not available.

2. Of those 12750 dwellings - how many will be affordable? Would you please list in a table: how many dwellings will be priced at £100,000 and for each £25,000 increment, up to £500,000?

Answer: there is no information available on the likely price of dwellings with planning permission.

Question 16 – Cllr Jonathan Hucker

External Audit report

Material accounting estimates –

1. Do the auditors have a threshold for what is considered material in respect of accounting estimates?

   Answer: We use our main financial statements materiality when considering estimates and whether estimates are materially correct. Depending on the nature of the accounting estimate, the risk of material misstatement could be affected by estimation uncertainty, complexity, subjectivity or other risk factors. Our audit procedures will be responsive to the assessed risk of material miss-statements.

2. Is there a more rigorous testing regime for non-recurring items such as ad-hoc provisions compared to recurring items such as the revaluation of existing assets?

   Answer: On initial review of the financial statements we will identify any non-recurring items and where necessary depending on the nature and/or size of these will determine the appropriate audit approach to test these items. Depending on the items this may require a different approach to the approach used for recurring items. The level of testing / audit procedures on all recurring and non recurring items is determined following a risk assessment of the items. One particular area where the auditor is required to be alert to ad hoc risk is in regard to accounting journals, where our risk assessment and coverage is particularly focussed on those journals that could be considered non-routine and 'unusual'

3. I assume that some of the estimates included in the accounts are provided by third parties, such as actuaries or financial institutions. Where this is the case, are the estimates subject to independent testing and verification by the auditors?

   Answer: Regardless of whether estimates are made by management or third parties on behalf of management we undertake specific audit procedures to gain assurance over the estimates. Note – where management use third parties, they still have overall responsibility for the estimates included within the financial statements. Where management have used a third party to provide estimates such as for pensions and property valuations, we undertake a number of additional audit procedures, some examples of these are documented below
   - *evaluate the competence, capabilities and objectivity of the expert*
   - *assess instructions to the expert by management*
   - *challenge the information and assumptions used by the expert to assess completeness and consistency with our understanding*
   - *we may engage an auditors expert to help us reach our conclusions on more complex and specialist estimates – in the past two years we have engaged a variety*

of internal (to Grant Thornton) and external (separate companies) auditor's experts, including business and investment valuation specialists, property valuers, financial instrument specialists and business disposal and restructuring professionals.

Question 17 – Cllr Jonathan Hucker

Draft Statement of Accounts

Pension fund -

- I note the deficit on the pension fund has increased by £134 million over the period to £1.128 billion. This is an alarming figure. I also note that additional employer contributions are being made over a period of 14 years in an attempt to address this shortfall. What is the rate of employee contributions and is there an intention to increase the rate of employee contributions as well? In the private sector almost all defined benefit pension schemes have been closed for new members and closed for future accrual to existing members as they are unsustainable.

Answer: This is not the deficit value that is used to determine the Council's contribution rate. This deficit is an accounting derived value for the accounts (called IAS19) which shows the deficit if the fund was to be wound up immediately and it does not reflect the actual investment strategy adopted by the fund. You are correct that in the corporate sector such deficits have become unsustainable and contributed to many corporate schemes closing to new members and future accruals. For LGPS funds employee contribution rates are set nationally by the LGPS regulations; the Fund can not alter employee rates which currently range from 5.5% to 12.5% of pensionable pay depending on salary levels unless the legislation is changed by government. The actual contributions that the employers pay are set every three years following the actuarial valuation. This takes into account how the assets are invested and the returns they should generate over the life time of the pensions being paid out. In addition, as the scheme is still open to new accruals, employers pay off their deficit over a longer period which was 14 years for the council at the last valuation in 2019. Since that valuation the assets have performed well and the funding position has improved to 97% (meaning that the assets currently fund 97% of the liabilities).

Contingent liabilities -

- The prospective Bristol Arena operator has challenged the Councils termination of their Agreement for Lease in respect of the Arena on Temple Island and has claimed loss of profits, or costs, over the life of the potential lease. As at 31 March 2021 litigation proceedings had not commenced and no claims have been received. However, please advise whether the potential cost of this claim has been evaluated.

Answer: The value of any claim cannot be estimated in any great detail until a claim has been issued. It will be for the Claimant to evidence its loss via its particulars of claim and through an application for disclosure if the Council does not consider that the particulars are sufficient to enable it to draft its defence.

Officers remuneration –

- There were three officers engaged on an interim basis whose cost to the council in 2020/21 was greater than that of the Chief Executive. These were the Clean Air Zone Communication and Engagement Director (£218k), Project Manager (£181k) and Specialist Project Manager (£179k). Given that the Chief Executive is the Head of Paid Service, what is the rationale for awarding these packages and at what was the approval process?

Answer: The job holders referred to are hired through the Council's Managed Service Provider Guidant and the costs are those paid to the Agency and not what the worker receives direct.

These job holders have worked on complex and high risk council projects where specialist knowledge, skills and experience is required. Hiring on this basis is not unusual and is a regular occurrence across the sector.

Any interim assignment which lasts for longer than six months requires the Chief Executive to approve the extension of the appointment. This has been provided in these cases.

- Obviously as these are the draft financial statements not all the numbers have been populated. However, the figures for non-current borrowings as at 31 March 2021 do not appear to have been updated from the previous year.

Answer: There was no new borrowing undertaken during 20/21.

Statement 1 – Cllr Geoff Gollop

I have a significant number of issues regarding the financial statements (item10) and the Annual Governance Statement (item 11) and I list these below

Pension Deficit

The biggest liability for the Council is the pension fund deficit. During the year, the accounts show this increased by £134m to £1.128b .The covering report says markets were lower than at the end of 19/20, but in the period under report the FTSE 100 Index rose by 15% and the All-share index by 23.3%. However, the explanation on page 58 cover report or page 81 of the pack is even more confusing, as the fall in bond yields would affect the income of the fund if it was buying new issues, but would not affect the income from existing fixed rate investments. The narrative appears to be confusing.

It is difficult to understand the investment strategy of the fund managers. The management of the fund seems a high risk and yet the issue is not mentioned in the Annual Governance Statement or referred to other than a factual record in the financial statements,

Audit Committee might ask who is responsible for managing the Councils Pension Investments and how are they held to account. Is the Council getting appropriate advice and if the advice is brought about as a result of regulatory requirements are we lobbying for change?

Bristol Energy

I continue to remain concerned about disclosures relating to BE2020, formally Bristol Energy (referred to as BE)

We know that a liquidator was appointed on 30th June because of the public filing at Companies House. We also know that the liquidation is voluntary which by definition means that is a solvent liquidation which in turn means the Council has paid enough to settle all creditors and the liquidator's fees.

The accounts tell us that the Council had invested £37m into BE and that the investment is now fully impaired. The accounts also tell us that an additional provision against the investment was made in this financial year of £3.7m. They also tell us that the interest receivable has been written off. However, in spite of my requests in terms of the last 2 years financial accounts, there is still no note summarising the total loss through the Bristol Energy debacle.

I urge Grant Thornton to note that there is strong member and public interest in quantifying the full extent of the total loss to the council tax payer/council and that a full explanatory and quantitative note should be necessary to ensure the accounts provide a true and fair view

City Leap

The Council is assuming City Leap will deliver a major contribution to carbon neutrality for the City, but apart from necessary disclosure of the payments to the programme manager,

and the subsidiary companies set up for the project, there is no reference to City Leap or heat networks in the accounts or in the governance report.

Given the size of the potential project, its importance to the city and the amounts of money spent on salaries and consultants, I would hope to see an explanation of the amount spent on this project, and an explanation of whether it has been capitalised or written off to Revenue.

There is still no clarity on the Governance of the project and how decisions taken by the Joint Venture Partner will be monitored and scrutinised by the City Council. This is a major concern and should be referred to in the AGS.

Scrutiny

I have a very serious concern about paragraph 3.6 of the Annual Governance Statement. The paragraph implies that scrutiny looks at decisions made by cabinet.

For the whole of the last Financial Year, I and the other scrutiny commission chairs were repeatedly engaging with the head of the executive office to improve the Mayor's forward plan. However, we were often given only 4 weeks notice of an item coming to cabinet (with no detail), and were only ever allowed to see reports, at best, 5 working days before the cabinet meeting, which meant that informed scrutiny on most issues was impossible. It is certainly inappropriate to suggest that Scrutiny can provide a check and balance on the executive when it is not given sufficient notice to consider topics with proper public notice.

There are many more issues of concern but I recognise that I have already taken too much time, but I very much hope members will have time to discuss fees paid to consultants-page 51 of the accounts (114 of the pack), risks relating to Bristol Heat Network, the carrying value of investment properties and the Arena Island claim note 40 page 171 of the pack

Statement 2 – Clive Stevens

A topic close to my heart, I'm pleased this issue has been chosen and reviewed.

My understanding is that when it comes to risk assessments the roles of Audit Committee and of Scrutiny differ but overlap.
Audit Committee is responsible for checking that the risk management system is functioning; risks are identified, threats, outcomes and probabilities are assessed. Whereas for Scrutiny, their task is to look deeply into a risk and see if the mitigations approved by Cabinet will actually improve the system. One of Audit's roles is to verify that Cabinet and Scrutiny are doing this.

On the face of it Corporate Risk CRR32 has assessed the threat and level well.
I hope most will agree that it is extremely likely Bristol will not meet the target (on the report set at 800 per year) and that the harm, outcome of not doing this is extremely serious. So a risk rating of 28, the maximum, seems correct.

And have Cabinet and Scrutiny done their jobs?
One would assume too that Growth and Regen Scrutiny have looked in detail at these mitigations and the Cabinet reports and come to a conclusion about their likely effectiveness. I do not know whether they have or haven't but I think it is part of Audit Committee's job to find out.

So how to account for Bristol's long term failure to deliver affordable housing?
Bristol has consistently failed to meet its affordable housing needs for the last twenty years maybe more, perhaps OK just the odd year; this is long term systemic failure. The Housing Needs Assessment in 2009 stated then that affordable housing needs were over 1,000 a year, supply wasn't keeping up and the backlog (I assume the wait list) was 7,000.
The undersupply continued to get worse. The now abandoned Joint Spatial Plan Publication Nov 2017 (Policy 3) stated that the estimated affordable housing need for the Bristol and Bath Housing Areas was 32,200 over the coming 20 years, but even with all interventions they could only plan delivery of 24,500 (The 2019 draft Local Plan initially had 19,500 of this for Bristol). So 24,500 was carried forward in the JSP as the target for both Housing Market Areas; that is 8,000 less than the need. Although that wasn't the cause of the JSP being trashed, in my view, it should have been.
What is the cause of such a long term systemic failure? Is this being considered at the wrong level? WECA has been in existence for four years now. Does it look at this as a strategic risk, what are its systems to manage and secure affordable housing. What and how does it estimate the need? What actions is it taking, what is the scrutiny?

CRR32 is a new measure. It is clearly expressed, but lack of affordable housing has been an identified risk for decades. After twenty years of failure on this, do you think that the current risk CRR32, its mitigations and history of failure demonstrates evidence of a functioning risk management system? I would argue no.