

Audit Committee Agenda



Date: Monday, 24 July 2023

Time: 3.00 pm

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

Distribution:

Councillors: Andrew Brown (Chair), Tony Dyer (Vice-Chair), Fabian Breckels, Amirah Cole, John Geater, Zoe Goodman, Jonathan Hucker, Guy Poultney, Steve Smith, David Wilcox, Adebola Adebayo and Simon Cookson

Copies to: Simba Muzarurwi (Chief Internal Auditor), Denise Murray (Director - Finance & Section 151 Officer), Nancy Rollason (Head of Legal Service), Husinara Jones, Alison Mullis, Tony Whitlock, Lucy Fleming (Head of Democratic Engagement) and Ravi Lakhani (Head of Strategic Finance)

Issued by: Allison Taylor, Democratic Services
City Hall, PO Box 3399, Bristol BS1 9NE
E-mail: democratic.services@bristol.gov.uk

Date: Friday, 14 July 2023



Agenda

1. Welcome, Introductions and Safety Information

(Pages 4 - 6)

2. Apologies for absence.

3. Declarations of Interest

To note any declarations of interest from the Councillors. They are asked to indicate the relevant agenda item, the nature of the interest and in particular whether it is a **disclosable pecuniary interest**.

Any declarations of interest made at the meeting which is not on the register of interests should be notified to the Monitoring Officer for inclusion.

4. Minutes of Previous Meeting

To agree the minutes of the previous meeting as a correct record.

(Pages 7 - 17)

5. Action sheet

(Pages 18 - 19)

6. Public Forum

Up to 30 minutes is allowed for this item

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 **18 July 2023**.

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 **21 July 2023**.



7. Work Programme

To note the work programme.

(Pages 20 - 22)

8. Interim Auditors' Annual Report on Bristol City Council for 2021/22 and 2022/23

(Pages 23 - 78)

9. Internal Audit Update Report

(Pages 79 - 84)

10. Internal Audit - Exceptions Report

(Pages 85 - 97)

11. Audit Committee Annual Report to Full Council (Draft)

(Pages 98 - 107)

12. Update on the Council's Debt and Arrears Position

(Pages 108 - 130)



Public Information Sheet

Inspection of Papers - Local Government (Access to Information) Act 1985

You can find papers for all our meetings on our website at www.bristol.gov.uk.

Public meetings

Public meetings including Cabinet, Full Council, regulatory meetings (where planning and licensing decisions are made) and scrutiny will now be held at City Hall.

Members of the press and public who plan to attend City Hall are advised that you may be asked to watch the meeting on a screen in another room should the numbers attending exceed the maximum occupancy of the meeting venue.

COVID-19 Prevention Measures at City Hall (June 2022)

When attending a meeting at City Hall, the following COVID-19 prevention guidance is advised:

- promotion of good hand hygiene: washing and disinfecting hands frequently
- while face coverings are no longer mandatory, we will continue to recommend their use in venues and workplaces with limited ventilation or large groups of people.
- although legal restrictions have been removed, we should continue to be mindful of others as we navigate this next phase of the pandemic.

COVID-19 Safety Measures for Attendance at Council Meetings (June 2022)

We request that no one attends a Council Meeting if they:

- are required to self-isolate from another country
- are suffering from symptoms of COVID-19 or
- have tested positive for COVID-19

Other formats and languages and assistance for those with hearing impairment

You can get committee papers in other formats (e.g. large print, audio tape, braille etc) or in community languages by contacting the Democratic Services Officer. Please give as much notice as possible. We cannot guarantee re-formatting or translation of papers before the date of a particular meeting.

Committee rooms are fitted with induction loops to assist people with hearing impairment. If you require any assistance with this please speak to the Democratic Services Officer.



Public Forum

Members of the public may make a written statement ask a question or present a petition to most meetings. Your statement or question will be sent to the Committee Members and will be published on the Council's website before the meeting. Please send it to democratic.services@bristol.gov.uk.

The following requirements apply:

- The statement is received no later than **12.00 noon on the working day before the meeting** and is about a matter which is the responsibility of the committee concerned.
- The question is received no later than **5pm three clear working days before the meeting**.

Any statement submitted should be no longer than one side of A4 paper. If the statement is longer than this, then for reasons of cost, it may be that only the first sheet will be copied and made available at the meeting. For copyright reasons, we are unable to reproduce or publish newspaper or magazine articles that may be attached to statements.

By participating in public forum business, we will assume that you have consented to your name and the details of your submission being recorded and circulated to the Committee and published within the minutes. Your statement or question will also be made available to the public via publication on the Council's website and may be provided upon request in response to Freedom of Information Act requests in the future.

We will try to remove personal and identifiable information. However, because of time constraints we cannot guarantee this, and you may therefore wish to consider if your statement contains information that you would prefer not to be in the public domain. Other committee papers may be placed on the council's website and information within them may be searchable on the internet.

During the meeting:

- Public Forum is normally one of the first items on the agenda, although statements and petitions that relate to specific items on the agenda may be taken just before the item concerned.
- There will be no debate on statements or petitions.
- The Chair will call each submission in turn. When you are invited to speak, please make sure that your presentation focuses on the key issues that you would like Members to consider. This will have the greatest impact.
- Your time allocation may have to be strictly limited if there are a lot of submissions. **This may be as short as one minute.**
- If there are a large number of submissions on one matter a representative may be requested to speak on the groups behalf.
- If you do not attend or speak at the meeting at which your public forum submission is being taken your statement will be noted by Members.
- Under our security arrangements, please note that members of the public (and bags) may be searched. This may apply in the interests of helping to ensure a safe meeting environment for all attending.



- As part of the drive to reduce single-use plastics in council-owned buildings, please bring your own water bottle in order to fill up from the water dispenser.

For further information about procedure rules please refer to our Constitution <https://www.bristol.gov.uk/how-council-decisions-are-made/constitution>

Webcasting/ Recording of meetings

Members of the public attending meetings or taking part in Public forum are advised that all Full Council and Cabinet meetings and some other committee meetings are now filmed for live or subsequent broadcast via the council's [webcasting pages](#). The whole of the meeting is filmed (except where there are confidential or exempt items). If you ask a question or make a representation, then you are likely to be filmed and will be deemed to have given your consent to this. If you do not wish to be filmed you need to make yourself known to the webcasting staff. However, the Openness of Local Government Bodies Regulations 2014 now means that persons attending meetings may take photographs, film and audio record the proceedings and report on the meeting (Oral commentary is not permitted during the meeting as it would be disruptive). Members of the public should therefore be aware that they may be filmed by others attending and that is not within the council's control.

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Bristol City Council Minutes of the Audit Committee

30 May 2023 at 2pm



Members Present:- Brown (Chair), Dyer (Vice-Chair), Breckels, Geater, Goodman, Hucker, Poultney and Wilcox.

Independent Members of the Committee: Adebola Adebayo

In Attendance:-

Denise Murray – Director of Finance, Simba Muzarurwi – Chief Internal Auditor, Alison Mullis – Deputy Chief Internal Auditor, Richard Young – Head of Strategic Finance, Tony Whitlock – Finance Business Partner, Allison Taylor – Democratic Services

Also attending:-

Jon Roberts and Beth Bowers – Grant Thornton, Joachim Adenusi – Risk & Insurance Officer, Andrea Hobbs – Audit Manager, Phil Eames – Audit Manager.

1 Welcome, Introductions and Safety Information

The Chair welcomed all parties to the meeting. The Committee noted the emergency evacuation procedure for the Council Chamber if required.

2 Apologies for absence.

Apologies for absence received from Councillor Cole and Simon Cookson.

3 Declarations of Interest

There were none.

4 Confirmation of Chair.

It was noted that Councillor Brown had been appointed as Chair of Audit Committee by Full Council on 9 May 2023.

5 Confirmation of Vice-Chair.

It was noted that Councillor Dyer had been appointed as Chair of Audit Committee by Full Council on 9 May 2023.



6 Committee membership.

The Committee noted that Councillor Cole replaced Councillor Jama and Councillor Poultney now replaced Councillor Grant. The membership was noted.

7 Membership of the Value and Ethics Sub-Committee.

This was noted.

8 Dates of future meetings.

These were noted.

9 Audit Committee Terms of Reference.

This was noted.

10 Minutes of Previous Meeting.

RESOLVED – that the minutes of 6 March 2023 be approved as a correct record and signed by the Chair.

11 Action Sheet.

None arising from the last meeting.

12 Public Forum

Supplementary Question 1 – Suzanne Audrey.

‘When would the External Auditors 20/21 and 21/22 Opinion be issued?’

Response from GT – The 20/21 opinion would be issued this month. The 21/22 opinion was dependent on resolution of a national issue on pensions but should be issued by August.

Supplementary Question 2 – Suzanne Audrey.

‘The issues raised in the draft 21/22 Annual Governance Summary of progress to date involved large amounts of money and assurance was sought that it was not the same issue regarding large contracts?’

Response from Director of Finance – A contract management system was now in place which provided robust tracking and monitoring of contracts. There were a number of factors in play which have driven the increases being experienced.

13 Work Programme

The Committee noted the Work Programme for future meetings, and the Debt Write-Off reports and future joint working with Scrutiny Commissions was highlighted.



It was agreed that item 21 be considered after item 16.

14 Grant Thorntons 20/21 Audit Opinion (ISA 260) Report for 20/21.

The report was summarised for the benefit of the Committee and the following points arose from discussion:-

1. Page 10 – There had been an adjustment for 21/22 due to the incorrect basis of evaluation of BCC assets. It was clarified that the assets had been evaluated under existing methodology but this had now moved to depreciated replacement cost so there was an uplift in the evaluation as it showed the true cost to replace the asset. The assets were physically evaluated every 5 years and in between they were desk-top evaluated. If there was significant movement the values were adjusted;
2. The infrastructure accounting issue prescribed by CIPFA had been impossible to comply with for large LA's so CIPFA had introduced benchmarked assets, however they were at odds with BCC's evaluations. It was recommended that BCC aligns its assets with the CIPFA benchmark;
3. It was hoped to sign off the report in a 2 week period;
4. A Councillor stated that he was comfortable with the context and nature of the adjustments and pleased to have them signed off and it was unfortunate that the CIPFA issue had meant they were not signed off in March 22;
5. The £20m housing adjustment was very small percentage wise but had been highlighted based on revenue expenditure.

Resolved – That GT's Audit Report for 2020/21 and the action plan agreed by management be noted.

15 Internal Audit Annual Report 2022/23.

The report was summarised for the benefit of the Committee and the following points arose from discussion:-

1. With reference to Page 32, para. 3.9 assurances were sought regarding the agreed management actions of 81% which was a deterioration from the previous year. In response, the Committee was informed that CLB had a dedicated process for monitoring and there were regular reports at CLB;
2. It was agreed to highlight if there were particular Directorates or work areas underperforming for future reports;
3. It was noted that where 'N/A' was shown this indicated that IA had completed advisory or consultancy work which did not require an assurance opinion.
4. The CIA advised that he was not satisfied with the progress being made in the implementation of agreed actions in Q3 and Q4 but BCC was in a much better position that it was 2 years ago. The proactive implementation of actions would be helped by using the audit management system and other available tools properly.
5. It was noted that capacity would always be a challenge when addressing priorities identified. It was important to make sure easy to fix actions were carried out and there would always be areas where it was not possible to meet targets;
6. The CIA assured the Committee that there were enough resources to address priorities and if that changed he would advise the Committee;
7. The Director – Finance added that 22/23 had been an unprecedented financial year post-pandemic and with an increase in demand for services. The urgent requirement to deliver savings had taken a



lot of time and resource. CLB recognised that there was a need for a framework for greater accountability and not an expectation on IA chasing management actions.

Resolved - That the Internal audit report and opinion on the Council's Internal control environment for the financial year ending 31 March 2023 be noted.

16 Fraud Annual Report 2022/23.

The report was summarised for the benefit of the Committee and the following points arose from discussion:-

1. In response to a question regarding contractual fraud and how BCC can ensure that it gets what it paid for and the product was of a correct standard it was reported that procurement was very difficult to investigate. Risk assessments were carried out and mitigations were put in place and the procurement team were required to take ownership of the work. The Director – Finance added that the Contract and procurement team had now been centralised whereas they had previously been in different areas. There were also KPI's which should help identify issues. The process would never be full proof;
2. It was confirmed that all BCC staff were required to undertake an online fraud course;
3. Regarding benefits it was noted that BCC systems were not linked to HMRC but it was moving more that way;
4. Whistleblowing referrals were addressed in different ways dependent on their nature. If there were several referrals in one area IA would investigate that area;
5. There was no commitment to expanding the Blue Badge exercise to other areas of work – the drive was risk;
6. There were high fraud areas in Local Government so the approach was based on focussing on areas likely to provide value for money and therefore best outcomes. It was always a balance. Work on fraud prevention would provide a clear matrix of what to prioritise.

Resolved - That the Fraud Annual Report for 2022/23 be noted.

17 Draft 2021/22 Annual Governance Statement Summary of Progress to Date.

The report was summarised for the benefit of the Committee and the following points arose from discussion:-

1. It was noted that some areas would be considered by joint discussion with OSMB. It was helpful that the Chair of Audit was now a member on OSMB;
2. It was agreed that the areas of breaches could be added to the Work Programme for future consideration and these could also be addressed at member briefings;
3. The Director – Finance confirmed that all monitoring and tracking arrangements would come as an expense to other things. It was important to do it right and do it well;
4. The CIA stated that procurement rules and audit actions required monitoring and tracking. It was important to take advantage of technology to save time on these activities.



Resolved – That the progress made to date to implement governance improvements and recommendations from the draft 2021/22 Annual Governance Statement (AGS) be noted.

Councillor Poultney left the meeting.

18 Draft Annual Governance Statement 2022/23.

The report was summarised for the benefit of the Committee and the following points arose from discussion:-

1. It was noted that there was an error at para. 3.2 and it should read '22/23';
2. It was reported that there had been a deal of conjecture in the public domain regarding the DS Grant causing the Council to become bankrupt and assurance was sought on this. The Director – Finance replied that it was very clear that it provided a major challenge in relation to the increased financial deficit and the unmitigated position if nothing else changed was transparent in the Council's agreed budget. This unmitigated pressure required a mitigation plan and this had been developed with the DfE and provided some outcomes and a clear plan which had been considered at Bristol School Forum. The Council was working with stakeholders to turn the curve and the potential benefits were significant. The Council would never consider a do nothing option;
3. It was noted that every saving proposition was reviewed on a tracker. £6m had been earmarked to cover some of the savings and there had been a delay in consultation;
4. In reference to para. 3.3, it was noted that the Audit Committee could be a 2nd or 3rd line of assurance;
5. The Chair referred to para 2.2 and suggested the narrative around shielding from government cuts in 25/26 could be made clearer for the reader;
6. Page 76 – Principles of good financial management – it states 'error – ref source not found' – to be corrected.

Resolved –

1. **That the Annual Governance Statement be agreed as a fair reflection of the internal control and governance environment during 2022/23 and to date, prior to it being finalised and signed by the Mayor, the Chief Executive, Section 151 Officer and Monitoring Officer.**
2. **That the FM Code Self-Assessment and improvement action planning be noted.**

19 Internal Audit 2023/24 Q2 Priorities.

The report was summarised for the benefit of the Committee and the following points arose from discussion:-

1. It had been agreed with WECA that BCC's IA team would provide 60 days' worth of IA work for WECA;
2. It was agreed to include in Q3 Plan report at September's meeting the days dedicated to review work;
3. It was noted that the DSG Improvement Plan and the IT Transformation Programme were top priorities as they were so important to the organisation and were essential to deliver;
4. It was noted that some reviews provided an embedded assurance with no opinion assurance given. Each quarter an update report is produced and if there are concerns regarding assurance this would be raised with the service area;
5. The CIA confirmed that there was sufficient resources to deliver Q2 priorities;



6. The Chair observed that he was pleased to see BCC's governance arrangements on the plan in preparedness for the new Committee governance arrangements.

Resolved – That the proposed Internal Audit 2023/24 Q2 priorities be approved.

Councillor Poultney returned to the meeting.

20 Statement of Accounts Year Ended 31 March 2021.

The report was summarised for the benefit of the Committee and the following points arose from discussion:-

The Chair requested the Committee to focus on account amendments as the substantive accounts had been previously fully discussed and agreed.

1. There were no new material changes, just matters of presentation and commentary;
2. It was noted that the Letter of Representation had not been appended to the report and it was agreed to circulate it to the Committee.

Resolved – That the Statement of Accounts for the year ended 31 March 2021 be approved.

21 Draft Statement of Accounts 2022/23.

The report was summarised for the benefit of the Committee and the following points arose from discussion:-

1. It was reported that the revised report on pensions was still awaited and it could alter the accounts;
2. The expense of employing Interim Managers was noted and it was hoped that every effort was made to put staff on payroll rather than paying agencies;
3. It was noted that there was significant variance in the forecast and outturn (as set out on Page 202). The Director – Finance explained that the pay award had not been confirmed when the budget was set and these figures were actual accounts being transferred to various service areas;
4. There had been a downward variation in all classes of investment properties;
5. It was questioned whether the deficit on the provision of services of £180m should be the same in the Comprehensive Income & Expenditure Account and the Movement in Reserves Statement. It was confirmed it should be the same and would be reviewed;
6. The CIPFA Code set out the format for the movement of investment properties;
7. In relation to capital investment the detail will be available in the Autumn report on a scheme by scheme basis;
8. It was agreed to provide the Chair outside of the meeting how much had been raised through grant funding and operating surpluses from the Clean Air Zone;
9. It was agreed to provide the Chair outside of the meeting whether the City Leap figure at page 208 should be minus 2.24 or plus 2.24.

Resolved – That the draft, unaudited Statement of Accounts for 2022/23, be noted.

22 Q4 2022/23 Corporate Risk Report Update.



The report was summarised for the benefit of the Committee and the following points arose from discussion:-

1. CRR41 had not been updated since November 2022. It was agreed to respond to Councillor Willcox outside of the meeting the reason for this;
2. It was confirmed that OPP1 was looking back when the City Office was staffed;
3. CRR18 – it was noted that there had been no mitigations to address. It was agreed to respond to Councillor Poultney outside of the meeting the reason for this;
4. The Chair observed that there was no target date for mitigations or a narrative for how active mitigations were progressing. He also observed that it was difficult to see whether everything possible had been done to mitigate a risk.

Resolved – That the Q4 2022/23 Corporate Risk Report (CRR) be noted.

23 Senior Information Risk Owner Update.

The Committee noted the absence of the Director – Legal and Democratic Services and it was agreed that any questions on the content of the report should be directed to him outside of the meeting for response.

Resolved – That the report be noted.

24 Date of Next Meeting

The next meeting is scheduled to be held at on 24 July 2023 at 3pm.

The meeting ended at 4.35pm.

CHAIR _____











Audit Committee Action Sheet – actions from meeting held on 30 May 2023

Action number	Item/report	Action	Responsible officer(s)	Action taken / progress
1	21 – Draft AGS progress summary	To add to WP sessions regarding areas of breaches	Simba Muzarurwi	Completed. Procurement Breaches updates now included in the Audit Committee Work Programme for 2023/24
2	21 – Draft AGS progress summary	To arrange member briefings on breaches	Simba Muzarurwi	Still open. Briefings to be arranged after the July meeting.
3	17 – AGS 22/23	Para 2.2 – ‘shielding re govt cuts in 25/26’ – make clearer for reader	Alison Mullis	Amended and completed.
4	18 – IA 23/24 Priorities	To include with Q3 Plan at September meeting days dedicated to review work	Simba Muzarurwi	Still open but will be closed in September when a similar report will be considered by the Audit Committee
5	19 – 20/21 Statement of Accounts	To circulate letter of Representation to Committee	Allison Taylor	Circulated 31 May
6	20 – Draft Statement of Accounts 22/23	P205 of bundle – deficit provision of services statement £180m – reason for difference or should be the same – to respond to Cllr Hucker	Tony Whitlock	Completed 12 July
7	20 – Draft Statement of Accounts 22/23	CAZ – grant funding and operating surpluses – how much raised – to respond to Chair	Tony Whitlock	Completed 12 July

8	20 – Draft Statement of Accounts 22/23	City Leap (Pg 208) is it -2.24 or + 2.24 – to respond to Chair	Tony Whitlock	Completed 12 July
9	22 – Q4 Corporate Risk Update	CRR 41 (page 162) – why no update since Nov 22 – to respond to Cllr Wilcox	Joachim Adenusi	Completed 13 July
10	22 – Q4 Corporate Risk Update	CRR18 – no mitigations to address – to respond to Councillor Poultney	Joachim Adenusi	Completed 13 July

**AUDIT COMMITTEE
WORK PROGRAMME 2023/24**

Meeting Date	Assurance Source	Report Details	Routine Work Programme/ Other?	ToR Ref	Officer Providing Report
30-May-23 2:00PM	External Audit	Auditors' Annual Report for 2021/22 and 2022/23	Routine	1.8/1.9	Grant Thornton
	Internal Audit	Internal Audit Annual Report 2022/23	Routine	1.4	Chief Internal Auditor
		Annual Fraud Report 2022/23	Routine	2.4/2.10	Chief Internal Auditor
		Draft Annual Governance Statement 2022/23	Routine	2.5/4.4	Chief Internal Auditor and Director - Finance
		Internal Audit Plan - Quarter 2 2023/24	Routine	1.2	Chief Internal Auditor
	Finance:	Draft Statement of Accounts 2022/22	Routine	3.1	Director - Finance
Update on 2021/22 Annual Governance Statement Issues		Routine	3.1	Director - Finance	
Risk & Insurance	Corporate Risk Report (Q4)	Routine	4.1/4.3	Risk & Insurance Manager	
	SIRO Assurance Report	Routine	4.1/4.3	Director of Legal and Democratic Services (SIRO)	
Other	Audit Committee Terms of Reference	Routine	-	Director of Legal and Democratic Services	
24/07/2023 3pm	External Audit	Auditors' Annual Report for 2021/22 and 2022/23	Routine	1.8/1.9	Grant Thornton
	Internal Audit	Internal Audit Activity Report	Routine	1.5/1.6/1.7	Chief Internal Auditor
		Audit Committee Annual Report to Full Council (Draft)	Routine	5.1	Chief Internal Auditor
Finance	Debt Write Off Report	New - Routine		Director - Finance	
Sep-23 2:00 PM	External Audit:	External Audit Progress Report	Routine	1.8/1.9	Grant Thornton
	Finance:	Treasury Management - Annual Report	Routine	3.3	Director - Finance
		Final Statement of Accounts and AGS	Routine	3.1/2.5	
	Internal Audit	Internal Audit Activity Report	Routine	1.5/1.6/1.7	Chief Internal Auditor
		Internal Audit Plan - Quarter 3 2023/24	Routine	1.2	Chief Internal Auditor
	Risk Management:	Risk Management Annual Report and Improvement Plan	Routine	4.1/4.3	Risk and Insurance Manager.
		Corporate Risk Report (Q1)	Routine	4.1/4.3	Risk & Insurance Manager
Review of Specific Corporate Risk		Routine	4.1/4.3		
Customer Relations	Annual Report of Local Government and Social Care Ombudsman Decisions	Routine	1.12	Customer Relations Manager	

Meeting Date	Assurance Source	Report Details	Routine Work Programme/ Other?	ToR Ref	Officer Providing Report
	Other	Governance of Council Companies Bristol Waste Limited - Audit and Risk Committee Assurance Goram Homes - Audit and Risk Committee Assurance Update of SEND and DSG Improvement Plans Digital Transformation Programme Update	Routine Routine Routine Routine Routine	2.5/4.4 4.4 4.4 4.1/4.3 4.1/4.3	Shareholder Liaison Manager Bristol Waste Limited Goram Homes Executive Director Children and Education Director: Policy, Strategy and Digital
20 November 2023 2:00 PM	External Audit: Finance: Internal Audit: Risk Management: Other	External Audit Findings Report for 2022/23 Treasury Management Mid-Year Report Procurement Breaches Report Internal Audit Half Year Update Counter Fraud Half Year Update Report Audit Committee Half Year Report to Full Council (Draft) Internal Audit Quality Assurance and Improvement Plan, Charter and Strategy Internal Audit Plan - Quarter 4 2023/24 Corporate Risk Report (Q2) Adult Social Care Transformation Programme Update Children and Families Transformation Programme Update	Routine Routine Routine Routine Routine Routine	1.8/1.9/3.2 3.3 1.5/1.6/1.7 2.4./2.10 5.1 1.1/1.6 1.2 4.1/4.3	Grant Thornton Director - Finance Director - Finance Chief Internal Auditor Chief Internal Auditor Chief Internal Auditor Chief Internal Auditor Chief Internal Auditor Risk and Insurance Manager Executve Director: Aadults and Communities Executive Director Children and Education
29-Jan-24	External Audit: Finance Internal Audit: Risk Management: Other	External Audit Plan for 2023/24 Procurement Breaches Report Internal Audit Update Report Corporate Risk Report (Q3) Review of Specific Corporate Risk Property Management Programme Update Temporary Accommodation Programme Update	Routine Routine Routine Routine Routine	1.8/1.9/3.2 1.5/1.6/1.7 4.1/4.3 4.1/4.3	Grant Thornton Director - Finance Chief Internal Auditor Risk and Insurance Manager Risk Manager / Risk Owner Director: Property Assets & Infrastructure Director Housing and Landlord Services
Mar-24 3:00 PM	External Audit: Finance Internal Audit: Legal:	External Audit Plan for 2023/24 Procurement Breaches Report Draft Internal Audit Annual Plan 2024/25 Annual Whistleblowing Update Code of Corporate Governance	Routine Routine Routine Routine Routine	1.8/1.9/3.2 1.2 2.4 2.6	Grant Thornton Director - Finance Chief Internal Auditor Chief Internal Auditor Director: Legal& Democratic Services

Meeting Date	Assurance Source	Report Details	Routine Work Programme/ Other?	ToR Ref	Officer Providing Report
	Corporate:	AGS 2022/23 - Actions Tracking Update External Inspections Update	Routine Routine	2.5/4.4/1.7 4.4	Director: Finance Head of Executive Office

Audit Committee

24 July 2023



Report of:	Service Director: Finance
Title:	Interim Auditors Annual Report on Bristol City Council 2021/22 and 2022/23
Ward:	City Wide
Officer Presenting Report:	Denise Murray: Service Director Finance

Recommendations

The Audit Committee note, and comment as appropriate, on Grant Thornton's Interim Auditors Annual Report for 2021/22 and 22/23, focusing on their value for money assessment, along with an action plan agreed by management.

Summary

Appendix 1 – Interim Auditors Annual Report on Bristol City Council.

Reporting on value for money is part of the External Auditors statutory reporting requirements. Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), the External Auditors are required to consider whether the council has put in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources. They no longer give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the overall arrangements, as well as key recommendations on any significant weaknesses in the council's arrangements identified during the audit within the Auditor's Annual Report.

In relation to significant weaknesses, 4 key and 10 improvement recommendations were identified for the two year period reviewed (2021/22 and 2022/23). The report includes the management comments and proposed actions to address the required improvements.



Policy

None affected by this report. Grant Thornton are the Council's appointed external auditors. In carrying out their audit and inspection duties they have to comply with the relevant statutory requirements, namely the Local Audit and Accountability Act 2014.

Consultation

1. Internal Director of Finance and Senior Officers and relevant officers across the council.
2. External - none

Background and Context

Jon Roberts and Ginette Beal from Grant Thornton will be attending the Committee and will be pleased to answer Members' questions.

Other Options Considered

Not applicable

Risk Assessment

None necessary for this report

Public Sector Equality Duties

None necessary for this report

Legal and Resource Implications

Legal

None arising from this report

Financial

None arising from this report

Land

Not applicable

Personnel

Not Applicable

Appendices:

Appendix 1: Grant Thornton's Interim Annual Report on Bristol City Council 2021/22 and 2022/23

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers: None

Auditor's Annual Report on Bristol City Council

Page 25
Interim Report
2021/22 and 2022/23

14 July 2023



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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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Executive summary



Value for money arrangements and key recommendation(s)

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.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 2020/21 was the first year that we reported our findings in this way and an interim findings report was presented to Audit Committee in June 2022. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the Council's arrangements for 2021/22 and 2022/23 because this provides a current position of the arrangements in place and enables the Council to take timely effective action. If our findings relate only to one year this will be clearly stated, where we do not refer to a year it covers both years. 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. Our conclusions are summarised in the table below.

Both 2021/22 and 2022/23 have had their challenges with COVID-19 rates remaining high in 2021/22 and 2022/23 seeing the start of the 'cost of living crisis'. In 2022/23 demand for services has continued to increase and inflation has increased to rates not seen for some considerable time, as a result the Council has had to react and fund these additional pressures.

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Criteria	Risk assessment for 2021/22 and 2022/23	2020/21	2021/22	2022/23	Auditor Judgement	Direction of travel
Financial sustainability	Risk identified because of : <ul style="list-style-type: none"> the current level of spend within Adult Social Care and Children's Services (2022/23 only) financial sustainability in the medium term 				Significant weaknesses in arrangements identified and three key and improvement recommendations made. Outstanding improvement recommendations from 2020/21.	↓
Governance	Risk identified because of the Council's arrangements to <ul style="list-style-type: none"> set & manage its capital budgets ensure informed decision making in relation to its subsidiaries 				No significant weaknesses in arrangements identified, but improvement recommendations made and outstanding improvement recommendations from 2020/21.	↔
Improving economy, efficiency and effectiveness	No risks identified at the planning stage				A significant weakness in arrangements identified and one key recommendation. Improvement recommendation made and outstanding improvement recommendations from 2020/21.	↓

- No significant weaknesses in arrangements identified or improvement recommendation made.
- No significant weaknesses in arrangements identified, but improvement recommendations made or outstanding from the previous year.
- Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Financial sustainability

We have identified two significant weaknesses in arrangements:

- Dedicated Schools Grant (DSG) – the Council does not have effective arrangements to meet the needs of children whilst remaining within current funding levels for those children with special educational needs and disability (high needs). The cumulative deficit is continuing to escalate and the management plan will only deliver part of the estimated cumulative deficit in the short term. If the Council is not allowed to write off the deficit by Central Government or the statutory override continued it would leave the Council with significant challenges to its financial sustainability.
- the Council's inability to reduce overspends in DSG, Children's and Adult's Social Care, and to deliver recurrent savings increases the risk that it may not be financially sustainable. These financial pressures and risks may increase the Council's reliance on the use of reserves to a level that may not be considered prudent or sustainable. In 2022/23 the high rates of inflation have resulted in the Council having to meet these unfunded cost pressures and the Council having to rely on one-off measures and use reserves in an unplanned way to reduce the overspend in 2022/23. The 2022/23 gross overspend of £57.9m has been mostly off-set by one-off funding, including COVID-19 grants, contingency budgets and the use of reserves, in order to achieve a net overspend of £10.4m.

The key recommendations can be found on pages 6, 8 and 10 and two improvement recommendations from page 22.



Governance

We have not identified any significant weaknesses in the Council's governance arrangements for ensuring that it made informed decisions and properly managed its risks. We have identified eight improvement recommendations, including:

- ensuring a 'lessons learned' report is completed for the Bristol Beacon as soon as possible and prior to its completion
- budget monitoring reports to Cabinet should be improved by ensuring the gross costs and overspends are clearly documented as well as the net position
- in line with the Council's capital strategy document and agree the Council's capital improvement plan
- identifying and recording the risks relating to the Client and Shareholder function for City Leap Energy Partnership Limited
- the Council should work closely with the West of England Combined Authority (WECA) to support the implementation of the required improvements to the governance of WECA.

Seven improvement recommendations can be found from page 29



Improving economy, efficiency and effectiveness

We have identified the Council's contract management arrangements as a significant weaknesses. The Council has a significant number and value of contract breaches, and following improvement in arrangements there has been no reduction in number or value of contract breaches in 2022/23. We have also identified one improvement recommendation; to ensure the partnership register reflects the new arrangements with Integrated Care Boards. In addition, a number of issues we identified in 2020/21 remain of concern, delivering sufficient savings through Adult Social Care transformation and the unit cost of Adult Social Care in comparison to other councils.

The key recommendation can be found on page 12 and one improvement recommendation on page 39.



Opinion on the financial statements

2021/22

The audit of the financial statements is well underway for 2021/22 with the majority of areas of audit well progressed. We aim to issue our audit opinion in the summer of 2023.

2022/23

Our work on the 2022/23 financial statements opinion is due to commence in the summer of 2023.



Use of auditor's powers

We bring the following matters to your attention:

2021/22 and 2022/23

Statutory recommendations

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

We have not issued any statutory recommendations

Public Interest Report

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

We have not issued any public interest reports

Application to the Court

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

We have not issued any applications to the Courts

Advisory notice

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

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

We have not issued any advisory notices

Judicial review

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

We have not made an application for judicial review

Key recommendations



1 Recommendation The Council should continue to drive forward its Dedicated Schools Grant (DSG) management plan to ensure actions are delivered as planned and at pace. Progress should be actively managed and prompt corrective action taken as required. This action should be carried out in conjunction with the Schools Forum to ensure their contribution (both financial and non-financial) is understood and delivered.

Audit year 2022/23

Why/impact Effective actions are required to stop the DSG cumulative deficit increasing exponentially.

Auditor judgement This is a significant weakness in arrangements, as failure to stop the increase in cumulative deficit could result in the deficit reaching £128.2m by the 31 March 2028. A statutory override (Government permission to allow the DSG to go into deficit) has been provided by the Government until the end of 2025/26, however if this is not extended or financial support forthcoming to reduce the deficit, the DSG deficit may have to be met by the Council's reserves. The effect of this could significantly reduce the Council's reserves or other service areas would have to subsidise this area.

Summary findings The services funded through the DSG are costing more than the funding provided resulting in a deficit. In 2021/22 the deficit increased by £14.7m and in 2022/23 by a further £15m, increasing the 2022/23 cumulative deficit to £39.7m. The Council has reported that if action is not taken to address the continuing overspends the cumulative deficit could be £128.2m by 31 March 2028.

The Council with the support of the DfE's Delivering Better Value programme re-evaluated its deficit management plan. This plan was reported and endorsed by the School's Forum in March 2023 and is the start of Bristol's recovery plan. The re-evaluated plan forecasts unmitigated benefits of £16.7m per annum from 2026. If the Council is not able to reduce the cumulative deficit the DSG deficit may be a future significant financial pressure that the Council is required to address.

Further detail can be found on pages 15 and 16.

Management Comments On page 7.

The range of recommendations that external auditors can make is explained in Appendix C.



Key recommendations



- 1 Recommendation** The Council should continue to drive forward its Dedicated Schools Grant (DSG) management plan to ensure actions are delivered as planned and at pace. Progress should be actively managed and prompt corrective action taken as required. This action should be carried out in conjunction with the Schools Forum to ensure their contribution (both financial and non-financial) is understood and delivered.

Management Comments

The council continues to drive forward its Dedicated Schools Grant (DSG) management plan. The DSG Management Plan is underpinned by the High Needs Block Recovery Plan which details 14 separate cost efficiency/enabling schemes grouped under 7 themes. Of the 14, 10 are in delivery with 4 being taken forward with funding awarded as part of Bristol's participation in the Department for Education's Delivering Better Value in SEND (DBV in SEND) programme. As part of the diagnostic phase of DBV in SEND, the Bristol High Needs Block Recovery Plan was assessed and validated by the programme delivery partners – Newton Europe and CIPFA – mitigation figures were updated as a result.

Bristol Schools Forum has received regular updates regarding the development of the DSG Management Plan, the development of the High Needs Block Recovery Plan and the Delivering Better Value in SEND programme process and outputs, as can be evidenced in the published papers:

Bristol Schools Forum 'buy in' to the proposals presented in reports and the approach being taken. The programme places an emphasis on developing and maintaining positive relationships with key stakeholders and a strong culture of local collective responsibility has been established. This is evidenced through schools continued decision to transfer annual to date the full amount possible from the Schools Block to be earmarked to support transformational delivery.

Moving forward, oversight of delivery will be managed at the operational level through the DSG Deficit Management Delivery Group which meets monthly. This will escalate issues and report routinely into the Our Families Programme Board on a 6-weekly basis (system-wide programme of service improvement and savings delivery in the Children & Education Directorate). CLB maintains a portfolio level view of all major transformation programmes within the organisation and additional governance, scrutiny and constructive challenge is provided by Bristol Schools Forum.

Responsible Officer: Executive Director, Children and Education
This is an ongoing process.

The range of recommendations that external auditors can make is explained in Appendix C.



Key recommendations



2 Recommendation Action should be taken to contain expenditure and deliver savings on a recurrent basis across all services areas, with specific focus on Adult Social Care and Children’s Services to ensure the transformation programmes deliver as planned.

Audit year 2022/23

Why/impact Effective actions are required to reduce the financial pressures facing the Council.

Auditor judgement This is a significant weakness in arrangements, as overspends and a failure to deliver a greater proportion of recurrent savings have a direct impact on the Council’s financial sustainability. The key consequence of this is that, in order to meet the overspend and shortfall in planned savings, general fund reserves may reduce to levels that are not prudent or sustainable over the longer term, if alternative solutions such as the identification of other savings and additional income are not found.

Summary findings For 2022/23 the Council reported an overspend of £3m. However, this masks the fact that the gross service overspend is forecast at £57.9m and that, even within this net overspend, the Council is reliant on a significant number of non-recurrent measures, such as use of reserves, use of contingency (funds set aside for under delivery of planned savings and increased expenditure), non-recurrent savings and mitigations (an alternative solution to make savings) , as well as non-recurring COVID-19 grants.

In recent years, the Council record of delivering recurrent savings has not been consistent across the Directorates. In 2021/22 the savings target was £11.7m, of which £6.39m (55%) was delivered on a recurrent basis. The remaining being met from one-off actions.

In 2022/23 the Council planned to deliver savings worth £24.2m, which included £6m of savings rolled over from 2021/22 and £18m of new savings. Additional savings were identified increasing the target to £25.5m. The Council delivered all these savings, with 36% delivered on a non-recurrent basis and 16% covered by growth.

The overall effect of overspending and failure to deliver planned recurrent savings is that the savings target increases year on year and becomes increasingly more difficult to deliver, whilst increasing the likelihood of the shortfall having to be met from non-recurrent actions and reserves.

Further detail can be found on page 15 and 18.

Management Comments On page 9.

The range of recommendations that external auditors can make is explained in Appendix C.



Key recommendations



2

Recommendation

Action should be taken to contain expenditure and deliver savings on a recurrent basis across all services areas, with specific focus on Adult Social Care and Children's Services to ensure the transformation programmes deliver as planned.

Management Comments

Children & Education Services Transformation Programme

We will be monitoring all our benefits and costs in a robust and efficient manner. The programme has implemented a robust benefits approach, and benefits tracker for financial and non financial benefit, which is monitored through the programme board and CLB. Verification takes place monthly with the financial system and key stakeholders from the programme, to analyse spend and associated full year forecasts.

We are tracking key activity data with trend analysis projections to ensure the benefits have been realised, including pressures. We have a robust governance for both costs and benefits through monthly meetings with the Programme Director, CMT/DMT, EDM, Our Families Programme Board (transformation board for Children and Education - covering both DSG and Non-DSG) and CLB. The programme board governance includes representation from both Finance and Internal Audit for embedded assurance. The People & Resources Scrutiny Commissions will also have programme oversight in their annual work programme.

Responsible Officer: Executive Director, Children & Education

Ongoing.

Adults Social Care Transformation Programme

The ASC Transformation Programme has been scoped and work is underway in conjunction with our external delivery partners (PeopleToo) through our benefit realisation tracker to validate the financial and non financial benefits achieved, in the pipeline and further opportunities. Collectively, we seek to ensure clear plans are in place for the range of programmed and BAU activity, and that a robust overview of contemporary finance monitoring information (activity, service capacity, resource use and flow, and system flow) is available at directorate, programme, locality and workstream levels to ensure that transformational activity and savings intentions are on track.

Work is also underway in the context of the broader ICS to assess the overall finances of the health and care system in Bristol, to ensure consistent pricing of purchased activity, fair apportionment of resource across the sectors, and that the Bristol gains fair settlements on funding sources such as S117, CHC, etc.

The governance of the programme is established. An ASC Transformation Board meets monthly. The membership features the cabinet lead, the S151 officer (or representative), key lead officers, and corporate and NHS partner leads. Beyond the ASC board, regular reporting is made to the Mayor, Cabinet and CLB, and the People & Resources Scrutiny Commissions will also have programme oversight in their annual work programme.

Responsible Officer: Executive Director: Adults and Communities

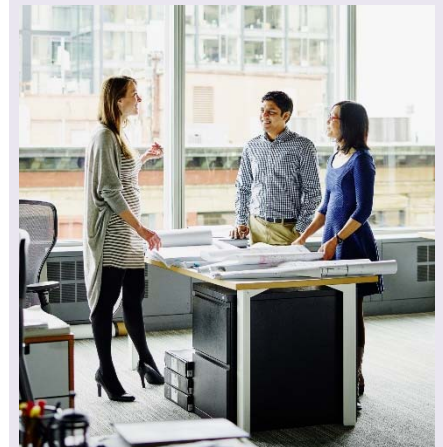
Ongoing.

Key recommendations



3	Recommendation	The Council should continue to monitor its level of unearmarked and earmarked general reserves to ensure the level remains prudent to manage current and future financial challenges and pressures.
	Audit year	2022/23
	Why/impact	An appropriate level of reserves is required to respond to unexpected events, along with earmarked reserves for funding planned one-off events. Failure to deliver planned savings and maintain spend within budget increases the likelihood that reserves will be required to meet these financial pressures.
	Auditor judgement	This is a significant weakness in arrangements, if the Council is unable to deliver its planned savings and manage expenditure the Councils is at risk of not having the necessary resources to be financially sustainable and to meet future unplanned and planned events.
	Summary findings	<p>The Council's general unearmarked reserves and earmarked reserves have reduced in 2021/22 and 2022/23. In 2022/23 the Council had planned to use £4m of reserves, but used a further £7.6m to meet increased costs, including inflation, pay awards and service pressures. In February 2023 as part of the budget setting process, in order to balance the budget for 2023/24 the Council's intended contribution from reserves was a further £4m, from the resilience reserve.</p> <p>We are concerned that the Council has had to rely upon reserves and its priority should be to manage spending and deliver its planned savings, failure to achieve this could increase the risk of unplanned use of reserves.</p> <p>Further detail can be found on page 19.</p>
	Management Comments	On page 11.

The range of recommendations that external auditors can make is explained in Appendix C.



Key recommendations



3 Recommendation The Council should continue to monitor its level of unearmarked and earmarked general reserves to ensure the level remains prudent to manage current and future financial challenges and pressures.

Management Comments 2022/23 was an unprecedented year in relation to post pandemic residual financial transactions and local need, and external factors such as pay awards, energy and inflation. Contingencies and reserves were earmarked for this purpose and applied in year. For pressures in excess of the earmarked funds a blended and pragmatic approach was adopted, which included further in year efficiencies from management actions, savings and the use where appropriate of reserves, followed by a materially revised baseline of growth in the 23/24 Budget and medium term plan.

The council has a Reserve Policy which is reviewed annually and approved by Council as part of the MTFP. The council's Medium Term Financial Plan and subsequently the budget and medium term plan, forecast to retain reserves at policy compliant levels for each year with the plan. The year end general reserve at 31 March 23 was in excess of the plan at £29.5m and similarly general fund earmarked reserve was £130.5m indicating a total useable reserves of £160m.

Reserves are periodically reviewed, and the appropriate level of reserves will be assessed after considering the strategic, operational and financial risks facing the council, risk management actions proposed to mitigate or remove risks where this is possible, and known or anticipated future expenditure. From this a prudent but not excessive level of reserves will be determined. Councillors will also ensure the council's finances are effectively managed, including the holding and use of reserves.

Responsible Officer: Director of Finance
Ongoing.

The range of recommendations that external auditors can make is explained in Appendix C.



Key recommendations



Improving economy, efficiency and effectiveness

4 Recommendation The Council should consider what further action is required to reduce the number and value of contract breaches.

Audit year 2022/23

Why/impact Reducing the number and value of contract breaches should reduce the level of risk the Council is exposed to, such as failure to comply with procurement legislation and ensuring value for money for the Council.

Auditor judgement This level of contract breaches suggests that the improvements introduced in 2021/22 and 2022/23 have not been effective.

Summary findings In 2021/22 and 2022/23 the number and value of contract breaches has increased since 2020/21 and remained high. Whilst actions have been introduced to reduce the contract breaches, these actions have not reduced the number or value of breaches in 2022/23. The breaches are predominantly due to a failure to comply with the Council's internal procedures to gain authorisation as to why market testing has not been pursued and not the public contract regulations 2015.

2020/21		2021/22		2022/23	
Number	£m	Number	£m	Number	£m
94	£13.01	206	£72.1	342	£73

Further detail can be found on page 37.

Management Comments On page 13.

The range of recommendations that external auditors can make is explained in Appendix C.



Key recommendations



Improving economy, efficiency and effectiveness

4 Recommendation The Council should consider what further action is required to reduce the number and value of contract breaches.

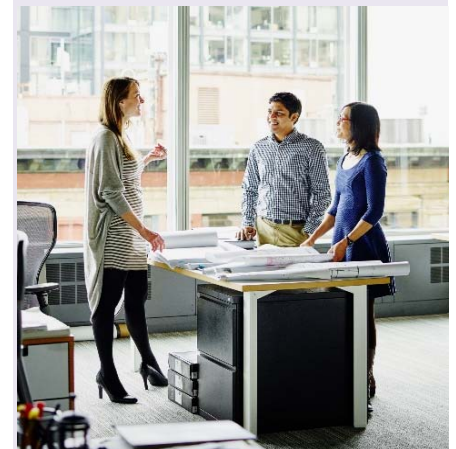
Management Comments Whilst the council is compliant with public contract regulations, it is recognised that more needs to be done to improve compliance with our internal procurement standards and an action plan is in place to address this. Compliance will be part of the mandatory performance objectives for all Heads of Service in 2023/24. In addition, the following actions are proposed:

- Quarterly Director Management Team (DMT) (by request) & Executive Director Meetings (EDM) will have regular attendance by procurement business partners
- Additional specific quarterly reports on procurement compliance to EDMs, Corporate Leadership Board (CLB) and Cabinet Member Briefing (CMB) will start in Q1 FY2023/24
- Overview of future procurement activity will be part of induction for new officers with commissioning responsibilities
- Greater Executive Director accountability for compliance
- Explore system development and Power BI reporting to increase visibility of contract end dates and spend monitoring :
 - Oversight in 2023/24 will be through CLB
 - Ongoing review by Internal Auditors
 - Further updates to be provided to Audit Committee

Responsible Officer: Director of Finance

Ongoing and benchmark assessment March 24

The range of recommendations that external auditors can make is explained in Appendix C.



Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness for 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.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

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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.



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 15 to 39. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Council:

- identified all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- planned to bridge its funding gaps and identify achievable savings
- planned its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensured its financial plan was 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
- identified and managed risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Revenue outturn 2021/22 and 2022/23

In 2021/22 the Council achieved a net in-year underspend of £0.9m against a net budget of £424.4m. However this included a services overspend of £25.7m which was off-set by COVID-19 grants and corporate allowances.

The financial position has deteriorated in 2022/23. This has been compounded by high rates of inflation which have not been centrally funded and reported at the yearend a net overspend of £3m, with service net overspend of £10.4m. However, this masks the fact that the gross overspend was £57.9m (as set out opposite) and that, even within this net overspend, the Council is reliant on a significant number of non-recurrent measures, such as use of reserves, use of contingency (funds set aside for under delivery of planned savings and increased expenditure), non-recurrent savings and mitigations (an alternative solution to make savings), as well as non-recurring COVID-19 grants. The Council has reviewed these pressures and included uplifts in the 2023/24 budget to meet these pressures.

Housing revenue account (HRA)

At the end of 2021/22 the HRA reported a surplus of £3.9m against a budget of £107.9m. For 2022/23 the HRA reported an overspend of £2.8m, an improvement of £3.6m compared to period 10, it is a deteriorating movement of over £6.7mm compared to 2021/22. This overspend is as a result of increased costs following two fires within high rise Council owned housing in 2022/23.

Service net and gross overspends 2022/23

Service area	Net overspend £m	Gross overspend £m
Adult Social care	(0.2)	8.3
Children and Families	6.5	18.1
Education improvement	0.7	3.5
People Directorate - management		3.8
Public Health	(0.4)	0.3
Resources	0.5	5.5
Growth & regen	3.3	13.7
Pay award	0	4.7
Total	10.4	57.9

Dedicated Schools Grant (DSG)

The DSG is a ring fenced budget which is allocated in four blocks; schools, early years, high needs and central school services. The DSG has continued to overspend and in 2021/22 the deficit increased by £14.7m, taking the cumulative deficit to £24.7m and in 2022/23 by a further £15m, increasing the cumulative deficit to £39.7m. This deficit is attributable to the high needs block, those with special educational needs and disabilities.

In February 2023 as part of the budget setting process the Council reported that, if action is not taken to address the continuing overspends the cumulative unmitigated DSG deficit could reach £128.2m by the 31 March 2028. This is illustrated in the chart overleaf.

Dedicated Schools Grant (DSG) continued

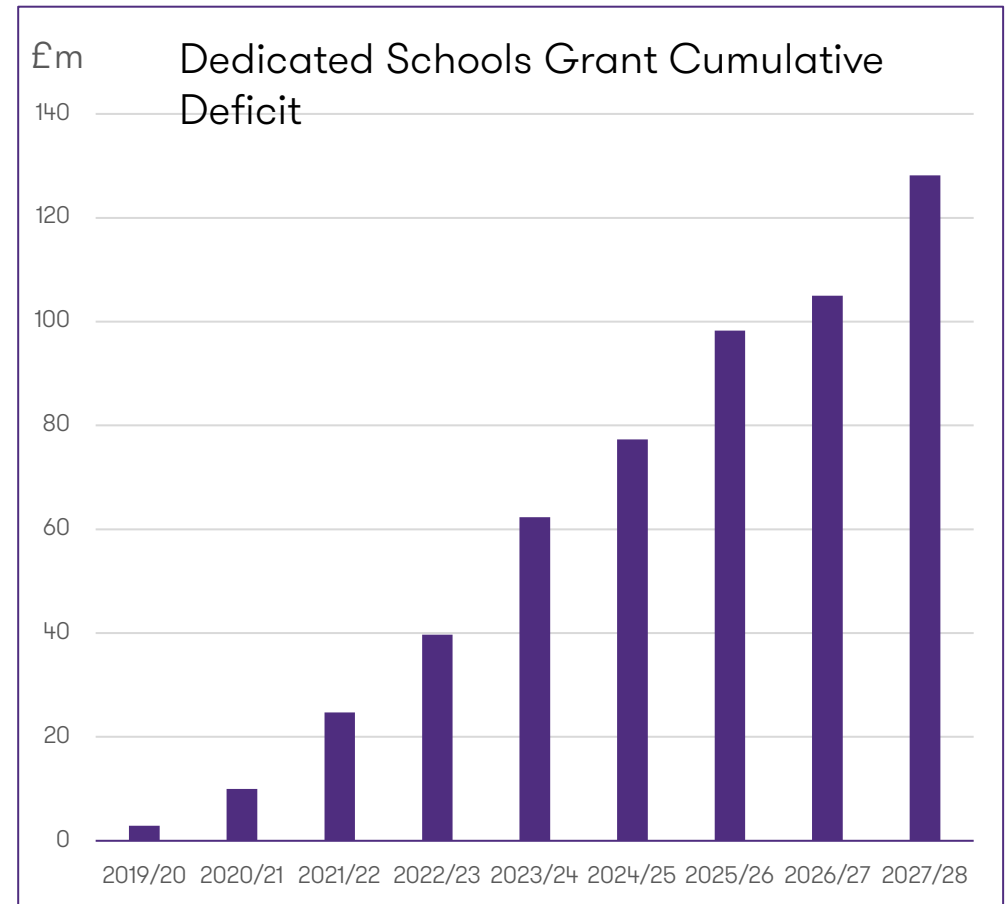
A statutory override is in place to allow the DSG deficit to be carried over as a negative reserve and has been provided by the Government. This Instrument is however time-limited and was due to end in March 2023 but in recognition of the national challenge in relation to DSG deficits was extended for a further three years to March 2026. It is unclear if the statutory override will be extended beyond March 2026. The extension is to allow councils the short-term flexibility needed to implement changes to reduce the spend within the high needs block of the DSG to a financially sustainable position. So that the costs are contained and the deficit no longer increases.

Councils with a DSG deficit are required by the Department for Education (DfE) to develop and agree a DSG deficit management plan with the Council's Schools Forum. With the support of the DfE's Delivering Better Value programme the Council re-evaluated its deficit management plan. This plan was reported and endorsed by the School's Forum in March 2023. The Council and has received additional funding of £1m from the DfE as part of the programme.

The plan is a long-term plan and is not expected to impact until 2023/24 and is not likely to have cleared the cumulative deficit until after the statutory deficit has ended. From 2025/26 it is estimated to deliver reduced costs of £16.7m per annum. These plans if successful might reduce the rate of increase of the deficit, but the Council could still reach a deficit of £60m before things begin to improve.

If the Council was unable to reduce the increasing DSG deficit, the cumulated unmitigated deficit is estimated to be £128m by 2028. Therefore, if the statutory override is not extended or financial support forthcoming to reduce the financial deficit, the DSG deficit may place significant pressure on the Council's reserves and put at risk the Council's general fund unearmarked and earmarked reserves.

We consider the Council's arrangements to manage and reduce the DSG cumulative deficit to be a significant weakness and if the Council is not able to reduce the cumulative deficit or the statutory override is not extended or financial support, the DSG deficit may be a future significant financial pressure that the Council is required to address.



The figures for 2023/24 onwards are estimates

2023/24 budget pressures

The Council has a Medium-Term Financial Plan (MTFP) which is reviewed and updated on an annual cycle and it is through the MTFP process that financial pressures (which have been managed and mitigated on a one-off basis) would be managed on a recurrent basis. The Council's current MTFP 2023/24 to 2027/28 was reviewed and agreed by Full Council in October 2022. It identified indicative funding gaps for each year from 2023/24 to 2027/28, with the indicative funding gap for 2023/24 estimated at £31.14m. The cumulative funding gap across the five years was reported as £178.94m, with the highest forecast funding gap being in 2027/28 at £37.5m, with the best- and worst-case position varying from £14m to £87.6m in that year.

In the 2023/24 budget the funding gaps were updated to reflect the funding settlement and amendments to assumptions and service demand. The 2023/24 funding gap was reduced to £20.3m but rising to £40m in 2027/28.

In 2023/24 the Council has increased its net expenditure budget by £52.5m to £483.5m. In order to achieve this position the Council has agreed to:

- deliver significant savings of £26.2m
- make contributions from reserves (£4m planned)
- increase Council Tax.

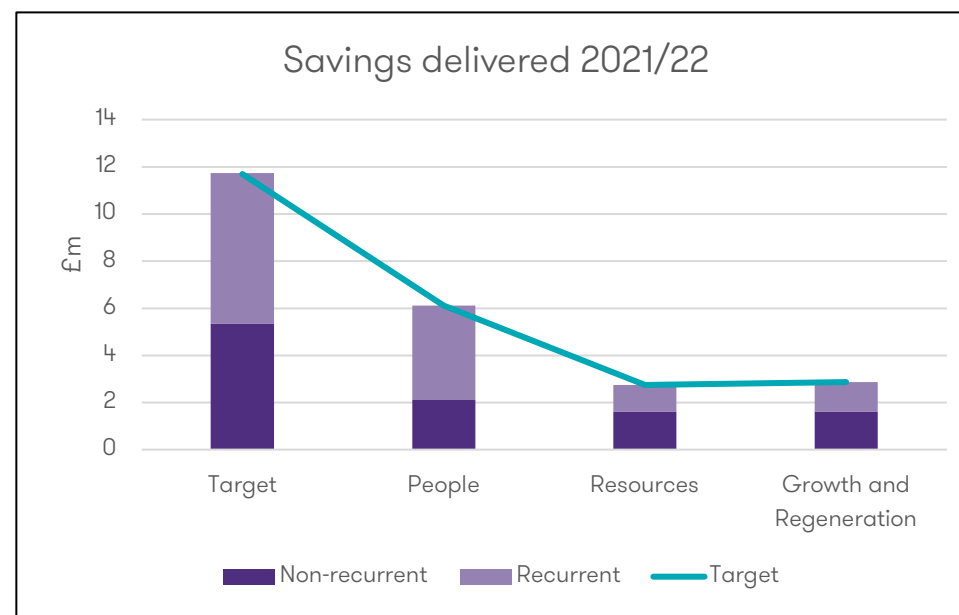
We also note that all service expenditure budgets exclude any uplift for inflation, as this fund held centrally for distribution later in the year. In our view, as inflation is known to be high we are concerned that this may undermine accurate budget monitoring and are aware that this is not standard practice across other councils. We are aware that that the Council is of the view that holding an inflationary fund centrally will assist in driving further efficiencies so have not raised an improvement recommendation.

Delivery of planned savings

The Council's approach is that savings agreed as part of the budget setting process should be recurrent and should only be delivered through one-off approaches if recurrent savings cannot be delivered. All planned savings which were not delivered on a recurrent basis should then be carried forward to the following year.

We consider in recent years, the Council's record of delivering recurrent savings has not been consistent across the Directorates, as illustrated in the chart opposite, which has a compounding effect, in subsequent years, where non-delivery of recurrent savings increases the amount of savings required the following year. In 2021/22 the savings target was £11.7m, of which £6.39m (55%) was delivered on a recurrent basis. The remaining being met from one-off actions.

In 2022/23 the Council delivered savings to the value of £25.5m, which included £6m of savings rolled over from 2021/22. At the end of 2022/23 the Council reported to Cabinet that 64% were delivered on a recurrent basis.



In 2023/24 the compound effect of rolling forward savings (£8.6m from 2022/23) is that the savings target is now £32.7m, of which at February 2023 £4.4m are considered to have no plans in place to ensure delivery. A contingency budget is set aside to meet this shortfall, along with the risk of non-delivery and optimum bias in other areas.

The Council has a range of processes in place to monitor delivery during the year, through the programme management office and the Delivery Executive. In our view the issue faced by the Council is its inability to deliver a greater proportion on a recurrent basis, not in its ability to monitor and track savings delivery.

Further analysis of the planned savings for 2023/24 identifies a number of high value proposals we consider are a significant risk of delivery on a recurrent basis, such as :

- £4m - Adult Social Care purchasing budget, at risk as this service was overspent in 2022/23
- £1.9m on Temporary Accommodation - this budget is overspending and the saving represents a high proportion of the budget for a demand led service.

The delivery of savings within Temporary Accommodation, Adult Social Care and Children's Service will also be monitored through the planned transformation programmes.

Financial Pressures – Former People Directorate

In order to more effectively manage the challenges within the People Directorate, the Council separated Children's Services from Adult Social Care to create two separate directorate management teams. The aim being that this would create greater capacity to focus on the challenges that both these services faced.

Adult Social Care

As reported in our previous Auditor's Annual Report, the Council continues to have some of the most expensive adult social care in England. These costs are high across a range of adult social care areas:

- Mental health support, both 18-64 year olds and over 65s
- Learning disability support for adults aged over 65
- Physical and sensory support for adults aged over 65
- Substance misuse support.

In order to reduce these costs in 2021/22 the Council established a transformation programme and engaged an interim project director to lead the programme. This programme was intended to be a five year plan. However, this individual left the Council in January 2023. The transformation programme considered existing savings schemes and programmes already in place and built on work already underway. A project mandate was agreed in May 2022 which included 13 savings schemes. Each saving scheme required a delivery plan, was agreed by Corporate Leadership Board, and was monitored through the Council's Programme Management Office framework. A review of lessons learned progress made on the 2021/22 transformation programme was expected in April 2023 and has yet to be delivered.

Delivery has been monitored through the Programme Management Office and the Transformation Board. The transformation programme has improved the understanding and pressures faced by the service, cash and non-cashable savings have been delivered, but additional cashable savings are required. We notes that whilst cashable savings are monitored the programme has not monitored non-cashable benefits as robustly. We have raised an improvement recommendation on page 22.

A decision has been made to develop a new transformation mandate. The Council hopes that delivery of savings will be improved by closer working between the Adult Social Care Directorate and an external delivery partner and the Council's Director of Resources.

Children's Services

The Children and Families Services were overspent by £3.8m in 2021/22 and are forecast to be overspend by £7.5m in 2022/23, due to increasing volumes and prices. These financial pressures have not just arisen in recent years but have been building for a number of years. The Council appointed a new Director of Children's Services in January 2023 and is developing a transformation programme for the service. A Transformation Director has been appointed and a project mandate is in the process of being agreed, with a supporting business case due to be in place by July 2023. The main focus of this work will be delivery of the planned savings of £5.5m in 2024/25.

Both Adult Social care and Children's services remain significant financial challenges for the Council and major contributors to the overall financial challenge that the Council faces in the short to medium term.

It is expected that the delivery of savings within Adult Social Care and Children's Service will be monitored through the PMO and Delivery Executive but also be monitored through the planned transformation programmes.



Reserves

The purpose of the Council's general fund reserve is to meet costs arising from any unplanned or emergency events such as unforeseen financial liabilities or natural disasters. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years. Whereas earmarked reserves are set aside for specific purposes. The Council's general reserve policy requires that general reserves are maintained at a minimum level of between 5% and 6% of the Council's net revenue budget.

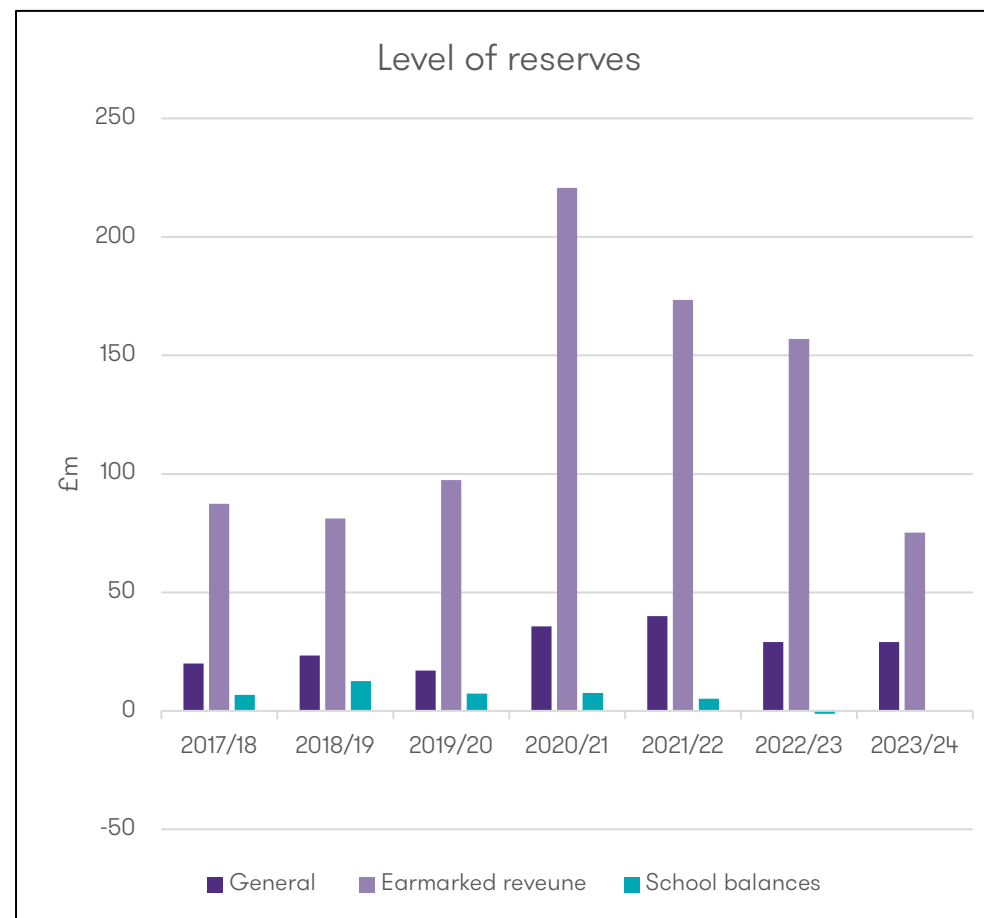
The chart opposite illustrates that both the general unearmarked and the general fund earmarked reserves increased significantly during COVID-19 and have reduced in 2021/22 and 2022/23. In 2022/23 whilst earmarked reserves remain above pre-COVID-19 levels (2019/20) they are forecast the drop below 2019/20 levels in 2023/24. From 2022/23 general unearmarked

In 2022/23 the largest movement in earmarked reserves is attributable to COVID-19 and Section 31 business rates grants, as intended. For 2022/23 the Council had planned to use £4.7m of general unearmarked reserves, but has required a further £3m to meet the in year overspend. In order to balance the budget for 2023/24 the Council's intended contribution from reserves will be a further £4m. In addition, we understand that any further contribution required from reserves will be met first by utilisation of the resilience reserve, prior to any re-direction of other earmarked reserves.

We have reviewed the Director of Resource's Section 25 statement, provided within the 2022/23 and 2023/24 budget reports and consider that current arrangements for producing the statement are adequate.

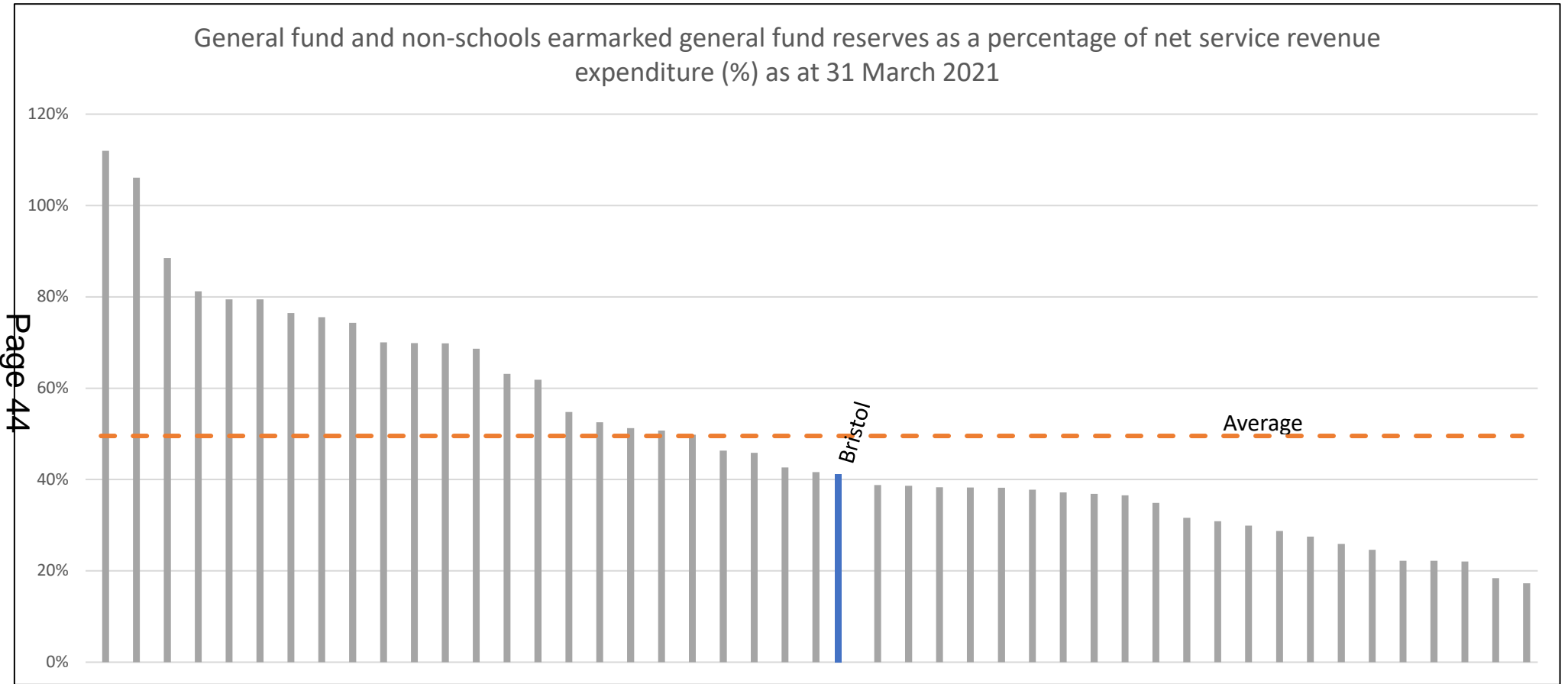
We are concerned that the Council has had to rely upon on reserves and its priority should be to manage spending and deliver its planned savings, failure to achieve this could increase the risk of unplanned use of reserves.

As discussed on pages 15 and 16, the Council's inability to manage spending and deliver recurrent savings is having an impact on its level of reserves. We have raised a key recommendation on page 10.



Reserve level comparisons as at 31 March 2021

This chart illustrates that at 31 March 2021 the Council's general fund and non-schools earmarked general fund reserves as a percentage of net service revenue expenditure was below average in comparison to other unitary authorities.



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Turnover of finance staff

During our review we became aware of vacancies and the requirement for interim posts within the finance function. The Council is aware of its turnover within its finance function and whilst the average for 2022/23 is lower than 2021/22 there was a spike in turnover in March 2023. This includes a number of long serving finance colleagues, so this may be a risk going forward. We recommend that the Council should continue to monitor the turnover levels in finance so that action can be taken if required.

Auditor judgement

We have identified two significant weaknesses in arrangements:

Dedicated Schools Grant - the cumulative deficit is continuing to escalate. The forecast position has improved and is forecast to deliver £80m with a residual deficit of £48m in 2027/28. Although we note that 2023/24 is the first year of delivery so is as yet untested. If the Council is not able to reduce the cumulative deficit or the statutory override is not extended or financial support forthcoming, the DSG deficit may be a future significant financial pressure that the Council is required to address.

- The Council's inability to reduce overspends in DSG, Children's and Adult's Social Care, and to deliver recurrent savings increases the risk that it may not be financially sustainable over the longer term, if alternative solutions such as the identification of other savings and additional income are not found. In 2022/23 the high rates of inflation have resulted in the Council having to meet these unfunded cost pressures and the Council having to rely on one-off measures and use reserves in an unplanned way to reduce the forecast overspend in 2022/23. The 2022/23 forecast gross overspend of £57.9m has been mostly off-set by one-off funding, including COVID-19 grants, contingency budgets and the use of reserves, in order to achieve a net overspend of £10.4m. We note that these pressures have been met by growth in the 2023/24 budget.



Improvement recommendations



Financial sustainability

1	Recommendation	The Council should ensure that its Transformation Programme monitors non-cashable benefits as well as cashable, possibly by establishing a benefits realisation plan.
	Audit year	2021/22 and 2022/23
	Why/impact	Monitoring non-cashable benefits is recognised good practice in project management and ensures all benefits and objectives are known and monitored throughout the project or programme to ensure delivery.
	Auditor judgement	This is not a significant weakness in arrangements.
	Summary findings	In order to reduce its costs in Adult Social Care in 2021/22 the Council established a transformation programme and engaged an interim project director to lead the programme. The transformation programme considered existing savings schemes and programmes already in place and built on work already underway. A project mandate was agreed in May 2022 which included 13 savings schemes. Each saving scheme required a delivery plan, was agreed by Corporate Leadership Board, and monitored through the Council's Programme Management Office framework and the Transformation Board. Cashable savings were monitored by the Corporate Leadership Board and the Programme Management Office, however, non-cashable savings and benefits were not monitored as robustly.
	Management Comments	This recommendation is covered by the response to key recommendation 2 above.



Improvement recommendations



Financial sustainability

2 Recommendation The Council should continue to monitor staff turnover levels in finance so that action can be taken if required.

Audit year 2022/23

Why/impact High turnover can result in a lack of corporate knowledge and reduced ability to meet statutory deadlines. Monitoring the situation will enable action to be taken if required.

Auditor judgement This is not a significant weakness in arrangements.

Summary findings In 2022/23 there has been a high turnover of staff within the finance department and as such there are a high number of interims in place. This includes a number of long serving finance colleagues, so this may be a risk going forward.

Management Comments The public sector across many professions is continuing to report recruitment and retention difficulties, as the labour market becomes more and more competitive with higher rates of employment and scarce skills. The council recognises the need to have a sustainable, transformative and high performing finance function and ensure sufficient capacity and capability exists within the function in order to deliver the further improvement to which the council aspires.

Turnover, recruitment and retention will be closely monitored and an assessment of our short term workforce needs, and recruitment plan, along with longer term workforce planning focused on future talent, will assist in addressing the challenges.

Responsible Officer: Director of Finance
By October 2023



Governance



We considered how the Council:

- monitored and assessed risk and gained assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approached and carried out its annual budget setting process
- ensured effective processes and systems were in place to ensure budgetary control; communicated relevant, accurate and timely management information (including non-financial information); supported its statutory financial reporting; and ensured corrective action was taken where needed, including in relation to significant partnerships
- ensured it made properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This included arrangements for effective challenge from those charged with governance/audit committee
- monitored and ensured appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procured and commissioned services.

Risk management

The Council has a risk management policy that was reviewed by Cabinet in 2019 and reviewed by Risk Manager in 2021. The policy sets out the Council's commitment to effective risk management. The Audit Committee has responsibility for providing independent assurance over the adequacy of the risk management framework and the associated control environment.

The Audit Committee received a risk management annual report for 2021/22 in September 2022. It has yet to receive its report for 2022/23 which is scheduled for September 2023. The 2021/22 report provided the Audit Committee with an update on the actions taken and plans to improve the effectiveness of risk management across the Council. The report highlighted that Internal Audit has once again provided a 'limited assurance' opinion on the Council's risk management arrangements. However, in 2022/23 Internal Audit provided a 'reasonable assurance' opinion on its Strategic Risk Management, as reported in May 2023. This review identified that strategic risks were not identified in a timely manner and were not always scored appropriately. A recommendation has been raised by Internal Audit and management action agreed, therefore we do not consider this a significant weakness in arrangements.

Throughout 2021/22 and 2022/23 the corporate risk registers were reviewed quarterly by the Corporate Leadership Board, Audit Committee and Cabinet. Directorate risk registers sit below the corporate risk registers and are reviewed by the Directorate Management Teams and below these service level risk registers.

We consider that adequate arrangements were in place during the periods and, as such, we do not consider the Council's risk management arrangements to be a significant weakness.

The internal audit function operating at the Council was provided internally throughout 2021/22 and 2022/23.

The service provided its annual plan, update reports and annual assurance opinion to Audit Committee.

For 2021/22 and 2022/23 overall "Reasonable Assurance" opinions were given by Internal Audit on the systems of internal control, governance and risk management arrangements. This is the same opinion as was given in 2020/21.

A counter fraud service has also been delivered during both years, along with updates to the Audit Committee. An effective internal audit service was provided during 2021/22 and 2022/23.

Budget setting, control and monitoring - revenue

The Council's budget setting processes in 2021/22 and 2022/23 followed similar processes to those undertaken in 2020/21. With Cabinet receiving in July 2022 a medium term financial outlook to provide an early indication of the challenges ahead.

The 2022/23 budget was agreed by Full Council in March 2022, following member debate in February 2022 and the Mayor putting forward an alternative budget in March 2022. The 2023/24 budget was agreed in February 2023.

For each year the budgets had previously been discussed with Cabinet on a number of occasions at Cabinet Board meetings (non-public meetings) and formally at Cabinet the following month. In addition, the budgets were reviewed and challenged by the Council's Resources Scrutiny Task and Finish Budget Group and a supporting report was provided to Full Council. Four public budget scrutiny sessions were also held by the Resources Scrutiny Commission.

The Treasury management strategy was agreed along with the budget in for both financial years. Updates on the treasury strategy were presented to Audit Committee during 2021/22 and 2022/23.

Budget setting, control and monitoring – revenue continued

The Council had effective processes for budgetary control. Throughout 2021/22 and 2022/23 the financial position was first reported to the Executive Director and to the Executive Director Meetings, before summary reports were issued to Cabinet. The Council moved to quarterly and exception reporting in 2022/23.

The Council overspend position in 2022/23 was £10.4m (net position) and £57.9m (gross position). The budget monitoring reports demonstrate that Cabinet is fully aware of the Council's net financial position, but we consider that transparency of reporting could be improved by ensuring the reports also clearly set out the gross position and the contribution required from reserves. Whilst we recognise that the gross position is included within the appendices and narrative, in our view this is key information and should be more prominent and readily available to the reader at the beginning of the report, therefore we have raised an improvement recommendation on page 29.

Although as discussed with the Financial Sustainability section, the significant issue for the Council is not its ability to monitor and be aware of the financial position, but its ability to remain within its planned budget. This has been raised on page 15.

Budget setting, control and monitoring - capital

The capital strategy for 2021/22 and 2022/23 was agreed by Full Council in the autumn along with the MTFP. The following capital budgets were agreed:

Capital budget	2021/22	2022/23
Original budget agreed HRA	£321m £111m	£300.5 £123m
Revised budget	£203.7m	£227.2m
Outturn	£167.3m	£198.7m
Underspend compared to revised budget	£36.4m (18%)	£28.5m (9.5%)
Underspend compared to original budget	£153.7m (48%)	£101.8m (34%)

The Council has continued its approach of amending its capital budget throughout the year and reporting its capital spend against its revised budget. At the end of 2021/22 it also reported the position against its original budget. The table above sets out the Council's performance in delivering against its original capital budget and its revised budget.

The Council continues to have a significant proportion of slippage throughout the year and note that this has decreased slightly from 2021/22 to 2022/23. The Council continues to reduce the level of slippage that occurs, see page 41 where we raised a recommendation on this in 2020/21.

The Council recognises that it needs to improve its capital governance arrangements and this is clearly acknowledged within its Capital Strategy for 2022/23 to 2031/32 and 2023/24 to 2032/33. The Council now has an overarching summary of the new capital programme management process; forms for project managers to complete for access to the capital programme and year-on-year re-profiling. However, in-year profiling is not undertaken and the details of spending to budget are not reported in detail to Cabinet, just at a very high level. Although we recognise that detailed monitoring is undertaken by the Capital Investment Board.

In 2022/23 it appointed a delivery partner (Arcadis) to provide expertise and additional capacity. These Capital Strategies identify that the Council has developed and is implementing a capital governance improvement plan. The first (2022/23 to 2031/32) identifying that the improvement plan will be operational by April 2022 and the second (2023/24 to 2032/33) by April 2023. However, the improvement plan has not been documented and remains outstanding.

Bristol Beacon

In 2020/21 we considered the refurbishment of the Bristol Beacon - a city centre live music/entertainment venue in detail. It is a Grade 2 listed heritage building, a freehold asset owned by the Council and operated since 2011 by Bristol Music Trust (BMT).

In May 2018 the project was originally estimated to take two years to redevelop at a cost of £48.8m. This increased to £52.2m in June 2019, £106.9m in March 2021 and in January 2023 to £131.9m, of which the Council's contribution was 64%, £83.9m. The project should be complete and open to the public in November 2023.

During 2021/22 the Council has strengthened its project management arrangements, appointed a strategic partner, Arcadis and brought on board additional capacity and technical and specialist expertise. The increase in costs have been attributed to the impact of inflation and compensation events as a result of the nature and complexity of the fabric of the building.

In 2020/21 we identified that the Council should learn from the Bristol Beacon project and ensure all capital projects have effective and rigorous project management arrangements in place. Whilst we are still of the view that proper arrangements were in place to manage the Bristol Beacon project in 2021/22 and 2022/23 the Council should ensure that it benefits from any lessons learned from undertaking this project and should complete a lessons learned exercise as soon as possible and not delay this until the refurbishment is complete.

In January 2023 Cabinet made the decision to increase the funding and to complete the refurbishment of Bristol Beacon.

Bristol Beacon continued

In addition, as part of this report's assessment of the Council's arrangements, we also considered Cabinet's decision to increase the funding in January 2023. Cabinet was provided with an options report covering the decision, third party advice, both technical relating to the refurbishment requirements and financial.

The report identifies that both the completion timeframe and cost of Bristol Beacon remain significant risks. The risks have been considered but are set out within the appendices to the Cabinet report. In our view it would have been more transparent and clearer for the reader if these are been documented within the main body of the report.

The financial advice identified that the project will generate a negative net present value (NPV) under the current commercial arrangements between the Council and BMT and even with amendments is not likely to achieve a breakeven position. Following the opening of Bristol Beacon consideration will need to be given to explore the wider potential for investment return to the Council from the Bristol Beacon. The Council has recognised that the City will benefit from wider social and economic benefits and should ensure that these wider benefits are monitored along with the return on Bristol Beacon. We have raised an improvement recommendation on page 30.

Partnership Governance and Informed Decision-making – City Leap Energy Partnership Limited

The development of the Council's City Leap Energy Partnership began in 2018, a series of energy and infrastructure investment opportunities to assist in the delivery of a carbon neutral City by 2050 (and by 2025 in relation to direct carbon emissions from buildings and vehicle fleet under the Council's control). The Council intends to achieve this by working in partnership with the private sector, through a joint venture to enable low carbon investments into the City's energy system and will be achieved through two elements; low carbon energy infrastructure and heat networks. This agreement does not commit the Council to additional funding.

The first one to two years will focus on the Council's buildings to achieve carbon neutrality, such as the Council's social housing retrofit and targeting energy efficiency and decarbonisation in poorly insulated Bristol buildings.

The Council began a complex and unique process with Cabinet agreeing the establishment of the joint venture City Leap Energy Partnership Limited in December 2022. The result is a joint venture with Ameresco, with the Council having equal joint ownership.

The time line below sets out the key decisions and steps undertaken to achieve this:

Date	Key steps/decisions
May 2018	Soft market testing to assess market interest in the City Leap concept.
July 2020	Procurement process revised and recommenced to take into account feedback from the market and to remove Bristol Energy from the process.
October 2020	Bidders were shortlisted.
December 2020	Cabinet was notified as to the outcome of the selection questionnaire stage of the procurement process.
August 2021	Invitation to tender was published.
January 2022	Report to Cabinet to request additional funding to complete the procurement process.
April 2022	Cabinet approved Ameresco Limited with Vattenfall Heat Limited as an essential Contractor as the preferred bidder.
July 2022	Cabinet approved the transfer of all heat network assets currently owned by the Council to its wholly owned company, Bristol Heat Networks Limited (BHNL).
December 2022	Cabinet approved the establishment of City Leap Energy Partnership Limited.
January 2023	Staff from the Council's Energy Services Department were transferred to City Leap Energy Partnership Limited, under TUPE (transfer of undertakings, protection of employment). Shared Purchase Agreement (SPA) arranged for the sale and transfer of BHNL. 20 year concession

Partnership Governance and Informed Decision-making – City Leap Energy Partnership Limited continued

City Leap Energy Partnership Limited is a joint venture of which the Council has equal ownership along with Ameresco. Vattenfall Heat UK, a subcontractor of Ameresco will deliver the heat network requirements. Delivery of carbon neutrality is managed through a concession agreement which includes contractually binding key performance indicators against which performance will be monitored. Individual projects must pass through gateway approval process, which depending on the value of the project will require either Cabinet approval or by the Delivery Implementation Group (DIG). The DIG is part of the client function and as at July 2023 has been established.

The Council undertook a complex procurement process and sought third party, legal and financial advice to support the process. An evaluation panel was established which was supported by subject matter experts. The procurement process included assessment of the financial standing of the preferred bidders and this was undertaken by financial advisors, EY and expert legal advice was provided by Burgess Salmon. Clear procurement practices were followed and in our view seem reasonable, although we have not used procurement experts to review the process.

Throughout the process a project board has reviewed and discussed issues and decisions prior to key decisions being made by Cabinet. The project board membership included two Cabinet members, the Chief Executive, the Executive Director for Regeneration and Growth, Director of Finance, Monitoring Officer and the Director of Energy Services. The project board has maintained a record of discussions and met over the past three years either on a monthly basis or weekly as required. The Shareholder Group has also received regular updates as has the Cabinet portfolio lead, along with the Mayor, as required.

An initial business plan is in place and was agreed as part of the Cabinet decision in December 2022. The business plan will evolve over time will be agreed and amended by the Council and Ameresco.

The governance arrangements and contract arrangements were all discussed by the project board prior to the decision being made. It was agreed that the concession agreement would be managed and monitored by a client function within the Council. The client function is not yet fully operational and the Council is still recruiting to the client function.

The risks in relation to establishing the joint venture were considered throughout the process and were provided to support the decision taken by Cabinet in December 2022, however, as the client function is not yet fully operational the risks from the Council's perspective have not yet been identified.

Governance of the Council's wholly owned subsidiaries

Following the establishment of City Leap Energy Partnership Limited and the transfer of the Heat Network assets to the joint venture the Council only has three wholly owned subsidiaries:

- Goram Homes
- Bristol Waste
- Bristol Holding Limited

The Council has been considering the governance arrangements of its subsidiaries for a number of years, with a governance review undertaken in 2021 and presented to the shareholder representative in June 2021. This review emphasised the need for an appropriate and proportionate governance model to be adopted once the Bristol Heat Network was no longer under the ownership of the Council and recommended that a further governance review should be undertaken in 2022. This governance review has not yet been carried out.

Interim arrangements have been introduced where Bristol Holding Limited has a reduced assurance role and within the Council a strategic client role is established and developed. The Strategic Client's role has been enhanced at the same time as that of the Holding Company is reduced. The Council also has established Audit and Risk Assurance Committees for each of the subsidiaries.

However, these arrangements are not yet legally binding and have not been included within the Company's articles of association or shareholder agreement. We have raised an improvement recommendation on page 34.

Partnership Governance - West of England Combined Authority (WECA)

The Council is a voting member of the WECA. WECA delivers a number of services, including transport, on a regional basis and is also a means by which devolved government funding is obtained and distributed among the constituent councils for infrastructure and other development projects. The governance of WECA is overseen by the West of England Combined Authority Committee, which comprises the leaders of the member authorities (Bristol, Bath and North East Somerset and South Gloucestershire Councils) and is chaired by the directly elected West of England Combined Authority Mayor.

The Mayor and Chief Executive of the West of England Combined Authority, and the Leaders and Chief Executives of the three constituent unitary councils, have acknowledged that the relationships between members of the Combined Authority are currently strained. This is partly attributable to inherent tensions between the West of England Mayor's mandate to create and deliver a regional strategy and the desire of individual authorities to retain and protect their own political and strategic areas or remits. The dynamic is further complicated by local circumstances, that include the existence in parallel of a separately constituted Joint Committee that includes North Somerset Council as an additional member but outside of the Combined Authority; the co-existence of the West of England Mayor and the Bristol City Mayor over part of the same footprint, and; the constitutional requirement for significant elements of Combined Authority business to require unanimous voting, which effectively allows any member to veto a decision.

It is in this context that we note the external auditor has issued a critical report on the governance of WECA that identifies five significant weaknesses in governance and includes three statutory recommendations. This relates to events that took place during the financial year 2021/22. Two of the statutory recommendations place an obligation on the members of WECA to work together to improve working relationships and the level of engagement on key decisions.

The two statutory recommendations that directly impact on Bristol City Council are as follows:

- The Mayor and members of the Combined Authority represented by the Council Leaders, must commit to improving their working relationship and demonstrate that significant progress has been made within a reasonable timeframe to be determined by the Mayor and Combined Authority. This should include a role for independent mediation and the constructive consideration of advice arising from this process (SR1).

- A formal protocol should be agreed between member organisations within the Combined Authority to commit to consultation on key proposals, that they should define, at an earlier stage. Combined Authority members should engage effectively in this process, to help mitigate points of contention before they are published and debated in public. This should include a commitment to deliver proposals on a reasonable timetable (SR2).

A constructive and collaborative working relationship between partners is fundamental to the ability to continue to reach consensus, approve the use of devolved funding and attract funding and deliver value to the region, in addition to the ongoing delivery of key regional services including local bus services. The report recognises that the day-to-day business of the Combined Authority in regard to its budget and financial allocations to projects has continued effectively in 2021 and to date in 2022. In addition, we note that significant new funding has been brought into the region and been allocated to approved projects, including those impacting on individual unitary authorities via the Investment Fund. This provides assurance that the Combined Authority has not become dysfunctional and has continued to deliver benefit to residents in the region.

However, the WECA external auditor expresses concern that the ongoing poor state of relationships could limit the ability of all parties to work together to optimise strategic opportunities in future. External perceptions of disfunction could also affect the reputation of the Combined Authority with central government and other partners., ultimately affecting the ability to raise further funding and undermining public confidence.

While we recognise that the onus is on WECA, as a separate statutory body, there is a key role for Bristol City Council to work with the WECA management team to ensure that all the required improvements are made.

Auditor judgement

Overall, 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 have made eight improvement recommendations, set out on the following pages.

Improvement recommendation



Governance

3

Recommendation

Monthly budget monitoring reports, reported to Cabinet should clearly set out the gross overspend position and the contribution required from reserves, as well as the net position for each service area, so that the extent of the challenge faced by the Council is fully understood.

Audit year

2022/23

Why/impact

This would improve transparency of reporting.

Auditor judgement

This is not a significant weakness, but an improvement recommendation would be beneficial and would enable the Council to better understand the extent of the overspend within individual services.

Summary findings

The Council has reported an overspend for 2022/23 of £10.4m (net position) and £57.9m (gross position). The budget monitoring reports demonstrate that Cabinet are fully aware of the Council's net financial position, but we consider that transparency of reporting could be improved by ensuring the reports clearly set out the gross position and the contribution required from reserves. In our view this is key information and should be readily available to the reader at the beginning of the report, not within the detail or appendices.

Management Comments

The council will seek to enhance the budget monitoring reporting to cabinet. The gross position as reported in Quarter 1 (period 2 extrapolated), directorate appendices throughout the year and provisional outturn, will be captured in the standard reporting format for all reports from 2023/24, to provide greater transparency to the end reader of the financial position as we progress through the year.

Responsible Officer: Director of Finance
2023/24 budget monitoring reports



Improvement recommendation



Governance

4	Recommendation	The Council should urgently undertake a lessons learned exercise on its refurbishment of Bristol Beacon.
	Audit year	2022/23
	Why/impact	The lessons learnt exercise should not be delayed until completion of the project, as the lessons learnt could be applied to ongoing and new capital projects.
	Auditor judgement	This is not a significant weakness, but an improvement recommendation would be beneficial.
	Summary findings	<p>In May 2018 the project was originally estimated to take two years to redevelop at a cost of £48.8m. This increased to £52.2m in June 2019, £106.9m in March 2021 and in January 2023 to £131.9m, of which the Council's contribution was 64%, £83.9m. The project should be complete and open to the public in November 2023.</p> <p>During 2021/22 the Council has strengthened its project management arrangements, appointed a strategic partner, Arcadis and brought on board additional capacity and technical and specialist expertise. The increase in costs have been attributed to the impact of inflation and compensation events as a result of the nature and complexity of the fabric of the building.</p> <p>The Council has yet to fully evaluate and produce a lessons learned report. See page 26.</p>
	Management Comments	<p>A lessons learnt exercise has been designed and will start w/c 26th June 23. It will be led by an independent team from Arcadis, the council's capital strategic partner. The lessons learnt will take place in phases and is designed to provide critical lessons learnt and stimulate important insights. Care has been taken not to add risk to the project by diverting resource as the project is currently in its critical final period. Initial phases will focus on data collection and analysis. The final phase will be Jan 24 post full commercial operation of the facility with a</p> <p>Responsible Officer: Executive Director, Growth & Regeneration Final draft issued Feb 24.</p>

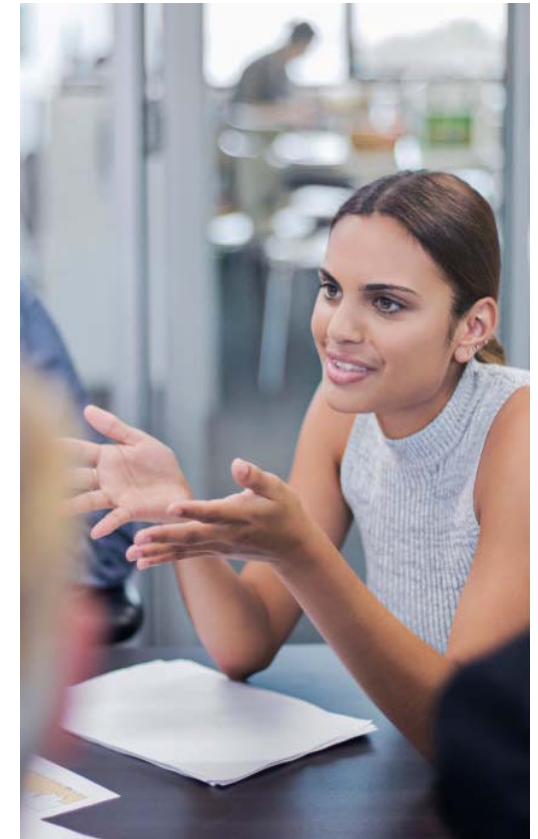


Improvement recommendation



Governance

5	Recommendation	In line with the Council's Capital Strategy the Council should document and agree its capital governance improvement plan.
	Audit year	2021/22 and 2022/23
	Why/impact	Progress cannot be monitored and assessed if the agreed actions have not been documented.
	Auditor judgement	This is not a significant weakness, but an improvement recommendation to ensure its capital governance continues to improve.
	Summary findings	The Council recognises that it needs to improve its capital governance arrangements, and this is clearly acknowledged within its Capital Strategy for 2022/23 to 2031/32 and 2023/24 to 2032/33. In 2022/23 it appointed a delivery partner (Arcadis) to provide expertise and additional capacity. These Capital Strategies identify that the Council has developed and is implementing a capital governance improvement plan. The first Capital Strategy identified that the improvement plan will be operational by April 2022 and the second by April 2023. However, the improvement plan has not been documented and remains outstanding. See page 25.
	Management Comments	<p>The Capital Strategy sets out the framework for the governance of capital assets for the council and accountability for its approval rests with Full Council in line with the Prudential Code. The details in relation to the improved capital processes will be outlined in more depth in a capital guidance note, which will include the governance boards and relationship between the boards, development of the capital programme in line with the capital gateway process, the monitoring of progress, programme adjustments and reporting. The capital guidance note will be prepared for corporate Capital Investment Board endorsement, socialised with project managers and published on the source</p> <p>Responsible Officer: Director of Finance September 23.</p>



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendation



Governance

6 Recommendation The Council should ensure it secures the best operating model that it can for Bristol Beacon so that it delivers the best possible outcomes for the Council and residents of Bristol. This should be clearly communicated to members.

Audit year 2022/23

Why/impact The Council has committed significant funds to refurbish Bristol Beacon and should ensure that it secures the maximum benefit for its invested funds.

Auditor judgement This is not a significant weakness, but an improvement recommendation has been raised.

Summary findings As a result of the increased funding and overall costs of refurbishing Bristol Beacon the project will generate a negative net present value (NPV) under the current commercial arrangements between the Council and BMT and even with amendments it is not likely to achieve a breakeven position. The Council has recognised that the City will benefit from wider social and economic benefits and should ensure that these wider benefits are monitored along with the return on Bristol Beacon.

Following the opening of Bristol Beacon, BMT will no longer receive financial support from the Council and consideration will need to be given to explore the wider potential for investment return to the Council from the Bristol Beacon. The Council will need to ensure that Bristol Beacon delivers the best possible return and outcomes for the Council.

See page 25.

Management Comments Discussions are ongoing with Bristol Music Trust and other key funders such as Arts Council England to agree a future operating model which removes future revenue commitments for the council and seeks to maximise future returns to the council from the Beacon. Briefings have been arranged with the council's Overview and Scrutiny Management Board members

Responsible Officer: Executive Director, Growth & Regeneration
30 November 2023



Improvement recommendation



Governance

7 Recommendation The Council should identify and document its risks relating to the client and shareholder function for City Leap Energy Partnership Limited. The risks should be logged and monitored in line with the Council risk management policy.

Audit year 2022/23

Why/impact The risks should be identified to ensure the Council is aware and effectively manages the risks.

Auditor judgement This is not a significant weakness, but an improvement recommendation to ensure risk management arrangements are effective.

Summary findings In December 2022 cabinet agreed to establish the joint venture City Leap Energy Partnership Limited. This decision was supported by a risk register which identified and scored the risks relating to this decision and the operation of the joint venture. The Council is in the process of establishing its client function for this subsidiary and as a result has not yet identified the risks relating to City Leap Energy Partnership Limited and ensuring its objectives are achieved.

See page 26.

Management Comments The client team for City Leap has now been established and the governance arrangements are in place for making decisions on individual projects which will have their own risk analysis. The shareholder function has established procedures for escalating matters to the shareholder, although given the joint venture nature of City Leap, the number of matters that will be escalated to the shareholder is limited.
Responsible Officer: Director, Legal and Democratic Services
Ongoing



Improvement recommendation



Governance

8	Recommendation	The Council should review its governance arrangement for its remaining wholly owned subsidiaries and update the shareholder agreements and articles of association to reflect the new agreed governance arrangements.
	Audit year	2022/23
	Why/impact	Interim governance arrangements are in place but have not been formally agreed.
	Auditor judgement	This is not a significant weakness, but an improvement recommendation would ensure the governance arrangements are formally agreed and documented.
	Summary findings	<p>Following the establishment of City Leap Energy Partnership Limited and the transfer of the Heat Network assets to the joint venture the Council only has three wholly owned subsidiaries. The Council has been considering the governance arrangements of its subsidiaries for a number of years, with a governance review undertaken in 2021 and presented to the shareholder representative in June 2021. This review emphasised the need for an appropriate and proportionate governance model to be adopted once the Bristol Heat Network was no longer under the ownership of the Council and recommended that a further governance review should be undertaken in 2022. This governance review has not yet been carried out.</p> <p>Interim arrangements have been introduced where Bristol Holding Limited has a reduced assurance role and the Council's strategic client role is established and developed. The Strategic Client's role has been enhanced at the same time as that of the Holding Company is reduced. However, these arrangements are not yet legally binding and have not been included within the Company's articles of association or shareholder agreement. See page 27.</p>
	Management Comments	<p>The council continues to keep the governance arrangements for the council's companies under review and it has been determined that the Holding Company group structure will remain in place for the foreseeable future. The shareholder agreements and articles of association have recently been revised and are in the process of approval by the Company Boards.</p> <p>Responsible Officer: Director, Legal and Democratic Services Actioned March 2023</p>

The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendation

Governance

9	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 governance report).
	Audit year	2021/22 and 2022/23
	Why/impact	A constructive and collaborative working relationship between partners is fundamental to the ability to continue to reach consensus, approve the use of devolved funding and attract funding and deliver value to the region, in addition to the ongoing delivery of key regional services including local bus services.
	Auditor judgement	This is not a significant weakness from the perspective of Bristol City Council, but the Council has a key role to play in ensuring that the required improvement to this key partnership are made.
	Summary findings	<p>The Council is a voting member of WECA. WECA delivers a number of services, including transport, on a regional basis and is also a means by which devolved government funding is obtained and distributed among the constituent councils for infrastructure and other development projects. The governance of WECA is overseen by the West of England Combined Authority Committee, which comprises the leaders of the member authorities (Bristol, Bath and North East Somerset and South Gloucestershire Councils and is chaired by the directly elected West of England Combined Authority Mayor.</p> <p>We note the external auditor has issued a critical report on the governance of WECA that identifies five significant weaknesses in governance and includes three statutory recommendations. This relates to events that took place during the financial year 2021/22. Two of the statutory recommendations indicate that the members of WECA should work together to improve working relationships and increase the level of engagement on key decisions.</p>
	Management comment	In its capacity as a member of WECA, the council is committed to support the improvements needed, and the recommendations made by WECA's external auditor regarding the required improvements to the Combined Authority's governance.

The range of recommendations that external auditors can make is explained in Appendix B.

Improving economy, efficiency and effectiveness



We considered how the Council:

- used financial and performance information to assess performance to identify areas for improvement
 - evaluated the services it provided to assess performance and identify areas for improvement
- ensured it delivered its role within significant partnerships and engaged with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissioned or procured services assesses whether it is realising the expected benefits.

Performance management

The Council's five-year Corporate Strategy 2022-2027 was approved by Full Council in December 2021 for implementation in 2022/23 onwards. Cabinet agreed its updated Business Plan for 2021/22 in March 2021 and for 2022/23 in April 2022. The business plan is the Council's annual plan which sets out how the Council will deliver its commitment within the Corporate Strategy. The Council's performance management framework was also reviewed and agreed at each of these meetings. The performance management framework summarises how the Council will monitor and assess the key commitments set out within its Business Plan.

In 2021/22 and 2022/23 quarterly reporting on key performance indicators was provided to officers, Cabinet Members, Scrutiny Commissions and Cabinet.

In 2020/21 we identified that these reports were presented over three months after the period end. New performance clinics have been introduced to improve the performance management arrangements, but more timely reporting to Cabinet has not been introduced.

The Council's Data, Insight and Information Strategy was approved by Cabinet in October 2021. This strategy includes the importance of good quality data and the Council's approach to data quality.

Benchmarking and learning from others

In March 2022 Audit considered the findings of the external inspections undertaken in 2021/22, which included but not limited to the following:

- Ofsted Visits
- Care Quality Commission

- Local Government Association (LGA) Peer challenge on Quality Assurance
- LGA Children and Families Services peer challenge.

This report enables the Audit Committee to note the actions taken as a result of the inspections but to also gain assurance on the Council's response to the inspections. This review was also undertaken in 2022/23 and in March 2023 the Audit Committee was provided with an update based on ten external inspections.

Joint Local Area SEND Inspection

In November 2019 the Council received a letter setting out the findings of a joint Ofsted and Care Quality Commission (CQC) inspection. As a result of the findings of this inspection, and in accordance with the Children and Families Act 2014, the inspectorate determined that a Written Statement of Action (WSOA) was required because of significant areas of weakness in the local area's practice.

A Local Area re-inspection was completed in October 2022 and the report published in November 2022. Four out of five areas identified in 2019 were judged to have made sufficient progress, with one area, relationships with parents and carers, judged as insufficient progress having been made. As a result an Accelerated Action Plan was required and was submitted to the Department for Education by 1 February 2023. The outcome of the inspection was reported to Cabinet and Health and Wellbeing Board in January 2023.

Ofsted inspection

An Ofsted inspection of its children's services was undertaken in January 2023. The findings were published on 10 March 2023 and are available on the Council's website. The Council received an overall rating of 'requires improvement to be good', the same rating as the Council received in 2018.

Benchmarking and learning from others continued

The Council has continued to use benchmarking to compare its cost of Adult Social Care services to other Councils, using tools such as PowerBI to better understand where its unit costs appear high in comparison to others in England and the South West.

In 2020/21 we identified three areas where the unit costs were very high in comparison to other councils:

- adult social care
- planning and development services
- housing services.

In 2021/22 we can see some movement as follows:

- adult social care – remains very high
- planning and development services – moved from very high to high

housing services – remains very high

cultural and related services – was high moved to very high

Reducing the cost of the Council's Adult Social Care service remains a significant challenge of the Council as previously reported on page 15.

Contract management and procurement

The Council is actively working to improve its contract management and procurement arrangements and in September 2022 appointed a Head of the Procurement and Contract Management Service. In April 2023 Cabinet agreed its procurement and contract management strategy. The strategy aligns to the Corporate strategy and sets out overarching principles, which are underpinned by a range of policies such as procurement rules, social value, healthy and sustainable procurement, ethical and equitable investment policies. The service plan will be instrumental in direct delivering, monitoring and or tracking that the commitments in the strategy are satisfactorily progressed. However, the delivery plan has yet to be developed. The intention is that the service plan will include detailed actions and key performance indicators based on compliance and agreed savings.

The Council has authorisation processes in place for contract breaches and in August 2021 remedial actions were proposed and endorsed by the Corporate Leadership Board , as follows:

- contract management system and reporting, pilot phase which should support planning and visibility of contract end dates

- improved breach data is being gathered which started in 2022/23 to give additional visibility to Directors and Internal Audit
- training and support for officers.

Reporting on breaches and remedial action has been undertaken during 2021/22 and 2022/23 as follows:

- monthly reporting to Directors
- quarterly Divisional Team meetings
- quarterly report to Executive Directorate meetings.

The training introduced was e-learning procurement training, with 324 participants enrolled. The participants included Contract Managers, Commissioners and Budget Holders, as at March 2023 81% (262) have completed the training.

In our previous report we raised concerns over the level of contract breaches and despite the improved processes remains a challenge for the Council in 2021/22 and 2022/23. The table below identifies that the number of breaches has continued to increase, although the value suggests a levelling off in 2022/23.

Contract breaches

2020/21		2021/22		2022/23	
Number	£m	Number	£m	Number	£m
94	£13.01	206	£72.1	342	£73

In 2020/21 we raised an improvement recommendation, based on the value and number of breaches that had occurred in 2020/21 and the increase in 2021/22. Whilst the Corporate Leadership Board have endorsed new arrangements the value and number of contract breaches remains significantly high. In 2022/23 the number of breaches has continued to increase with a slight increase in value. The breaches are predominantly due to a failure to comply with the Council's internal requirements to gain authorisation as to why market testing has not been pursued and not the public contract regulations 2015. However, the level and extent of contract breaches suggests that the Council is a risk of perpetuating a culture of breaches in procurement. We consider the Council's inability to reduce the number and value of contract breaches to be a significant weakness in arrangements.

Partnerships

The Council's business plan and quarterly performance reports acknowledge the importance of partnership working and where partnerships contribute to the Council's objectives.

In February 2021 the Council introduced its first Partnerships and Collaboration Policy, with the intention that the policy would be updated in February 2022, this update remains outstanding. The policy provides guidance on what constitutes a partnership and that all partnership should be entered on the Council's partnership register.

The partnership register now includes 91 partnerships. The register is a live document maintained by the Executive Office and includes a range of information including Directorate Management Meeting and Executive Directorate meeting status and sign-off.

In 2020/21 we identified the following partnerships which were included in the Council's business plan but were not included on the register; Learning City Partnership and the Voice and Influence Partnership. Whilst these partnerships are no longer included within the Council's new Corporate Plan we understand that the Council is still involved in these partnerships and they have yet to be added to the Council's partnership register.

In 2020/21 we also noted that one trust and the Council's companies were listed, which is not in line with the Partnerships and Collaboration Policy. The Council has removed its companies from the partnership register, but the trust remains on the register.

The current register identifies the objectives of the partnership but still does not link these to the Council's objective to which it contributes, this was previously raised as an improvement recommendation. Further details regarding the improvement recommendation we raised in 2020/21 can be found on page 39.

We identified that the partnership register includes the Bristol, North Somerset and South Gloucestershire Integrated Care Board, but does not separately identify the Integrated Care Partnership. Both the Integrated Care Partnerships and Board were established on the 1 July 2022. We suggest that the partnership register is reviewed to ensure the register correctly reflects both bodies and whether it should include the Integrated Care Board.

We note that in September 2022 Cabinet approved the Integrated Care Partnership's terms of reference and the Council's nominations for the Integrated Care Partnership and the Integrated Care Board. The Health Scrutiny Committee also received an update on the new arrangements in October 2022.

In 2021/22 and 2022/23 we found no evidence of any significant failings in any of the Council's partnerships.

Auditor judgement

We have identified the Council's contract management arrangements as a significant weaknesses. The Council has a significant number and value of contract breaches, and following changes in arrangements there has been no reduction in number or value of contract breached in 2022/23. We have identified one improvement recommendation.



Improvement recommendations



Improving economy, efficiency and effectiveness

Page 63

10	Recommendation	The partnership register should be reviewed to ensure the register correctly reflects both bodies and whether it should include the Integrated Care Board.
	Audit year	2022/23
	Why/impact	The partnership register should include all significant partnerships in which the Council is involved.
	Auditor judgement	Proper arrangements are in place, this would ensure all significant partnerships are appropriately considered.
	Summary findings	The Council's partnership register includes the Bristol, North Somerset and South Gloucestershire Integrated Care Board, but does not separately identify the Integrated Care Partnership. Both the Integrated Care Partnerships and Board were established on the 1 July 2022.
	Management Comments	<p>The Partnership Register is reviewed quarterly in Executive Director Meetings and it is the responsibility of the accountable Director for each partnership to ensure it is correctly updated. We will ensure that this partnership is correctly logged at the next available review point</p> <p>Responsible Officer: Director, Policy, Strategy and Digital July 2023</p>



The range of recommendations that external auditors can make is explained in Appendix C.

Follow-up of recommendations raised as part of our 2020/21 VfM review

	Recommendation	Progress to date	Addressed?	Further action?
	Financial sustainability			
1	The Council and the Schools Forum should continue to work together to develop a clear mitigation plan which addresses the Dedicated Schools Grant (DSG) high needs overspend.	In 2021/22 the DSG deficit increased by £14.7m and in 2022/23 by £15m, increasing the 2022/23 cumulative deficit to £39.4m. The Council reported that if action is not taken to address the continuing overspends the cumulative deficit could be £128.2m by 31 March 2028. With the support of the DfE's Delivering Better Value programme the Council has re-evaluated its management plan. This plan was reported and endorsed by the School's Forum in March 2023 and is the start of the recovery plan.	Outstanding	Key recommendation raised, see page 6.
	The Council should focus on the identification of its savings plans for 2022/23 and beyond to ensure that these can be actioned promptly and delivered on a recurrent basis.	In 2021/22 the savings target was £11.7m, of which £6.39m (55%) was delivered on a recurrent basis. The remaining being met from one-off actions. In 2022/23 the Council planned to deliver savings worth £24.24m, which included £6m of savings rolled over from 2021/22 and £18m of new savings. In 2022/23 the Council planned to deliver savings worth £24.2m, which included £6m of savings rolled over from 2021/22 and £18m of new savings. Additional savings were identified increasing the target to £25.5m. The Council delivered all these savings, with 36% delivered on a non-recurrent basis and 16% covered by growth. For 2023/24 the compound effect of rolling forward savings is that the savings target is now £32.7m.	Outstanding	Key recommendation raised, see page 8.

	Recommendation	Progress to date	Addressed?	Further action?
	Governance			
3	The Council should explore why the majority of capital expenditure occurs in the final quarter of the financial year and ensure current practices are appropriate.	Internal Audit undertook a capital programme management review in February 2023. A reasonable assurance opinion was given. The review based on a sample of projects/programmes selected identified that a lack of proactive and prioritised financial management by Budget/Project Managers, and knowledge gaps on budgeting rules by Budget/Project Managers contributed to a disproportionate level of spend occurring in quarter 4.	Yes	No
4	The Council should continue to ensure realistic capital budgets are set so that the level of slippage is reduced.	Slippage of the capital budget continues to be an issue for the Council. For 2021/22 the Council reported an underspend of £154.1m (48%) when compared to the original budget and an underspend of £101.8m (34%) for 2022/23, indicating an improving position.	Ongoing	Continue to work to reduce the amount of slippage.
5	The Council should continue to actively monitor the redevelopment of the Bristol Beacon and learn from this project to ensure: <ul style="list-style-type: none"> consideration is given to how complex capital and heritage buildings could have better cost certainty and allow for over optimistic outcomes consistent, robust and effective management arrangements are introduced and a strong client-side function is maintained, including technical expertise to enable the Council to hold its contractors and third-party support and advisors to account. 	The Bristol Beacon is a significant capital project that was expected to take two years to redevelop at a cost of £48.8m. However, the project has taken five years to refurbish at a cost of £131.9m. A substantially assured delivery framework has been implemented on the project including project governance and resource. Monthly board meetings and highlight reporting provides oversight of the project. A client side team is in place to ensure that contractor and thirds parties are held to account.	Partial	Improvement recommendation raised on page 32.

Recommendation	Progress to date	Addressed?	Further action?
<p>6 The Council should continue to ensure the following actions are taken to improve the information provided to support Cabinet decisions:</p> <ul style="list-style-type: none"> • Cabinet summary reports should include: <ul style="list-style-type: none"> ○ a summary of the risks identified within the exempt papers ○ scored and RAG rated risks in public papers ○ a summary of key messages relating to the financial information, the only financial information should not be just within the appendices ○ the outcome of any consultation with the Shareholder Group and Bristol Holding, where applicable • Cabinet summary reports should be supported with an eco-impact assessment within the appendices, if not a note should be included to set out why it is not applicable. 	<p>Our review of a number of key decisions undertaken in 2021/22 identified that proper arrangements were in place and that the majority of Cabinet summary reports included:</p> <ul style="list-style-type: none"> ○ scored and RAG rated risks in public papers ○ a summary of key messages relating to the financial information, the only financial information should not be just within the appendices ○ the outcome of any consultation with the Shareholder Group and Bristol Holding, where applicable <p>We did identify that greater attention could be given to the risks identified and that a summary of the key risks was not always provided within the Cabinet summary report.</p>	Partial	Summary Cabinet reports should include a summary of the keys risks and these risks should be quantified and RAG rated.
<p>The Council should consider introducing performance monitoring against the Business Plan on a more timely basis.</p>	<p>This recommendation has not been actioned. Quarterly performance reports are presented to Cabinet often over three months after the period end.</p>	Outstanding	Implement original recommendation


	Recommendation	Progress to date	Addressed?	Further action?
Improving Economy, efficiency and effectiveness				
8	The Council should continue to have oversight of progress on the Joint Local Area SEND Inspection.	A Local Area re-inspection was completed in October 2022 and the report published in November 2022. Four out of five areas identified in 2019 were judged to have made sufficient progress, with one area, relationships with parents and carers, judged as insufficient progress having been made. As a result an Accelerated Action Plan was required and was submitted to the Department for Education by 1 February 2023. The outcome of the inspection was reported to Cabinet and Health and Wellbeing Board in January 2023.	Ongoing	Oversight will be required until all outstanding issues have been addressed.
9	The Council should continue to actively monitor and review its progress against the outcomes and savings within its Adult Social Care Transformation Programme.	The Council continues to have some of the most expensive adult social care in England, and that these high costs are not isolated to one area of the service. In order to reduce these costs in 2021/22 the Council established a transformation programme and engaged an interim project director to lead the programme, who left the Council in January 2023. The transformation programme considered existing savings schemes and programmes already in place and built on work already underway. A project mandate was agreed in May 2022 which included 13 savings schemes. Each saving scheme required a delivery plan, was agreed by CLB, and monitored through the Council's PMO framework. Whilst the transformation programme has improved the understanding and pressures faced by the service it has not delivered sufficient cashable savings and the focus has been on cost avoidance schemes. A decision has been made to develop a new transformation mandate.	Ongoing	Key recommendation raised see page 8.
10	The Council should consider if additional benchmarking would be beneficial and explore the very high unit costs identified for : <ul style="list-style-type: none"> • Planning and development services • Housing services. 	Benchmarking is undertaken within the individual departments and the Council is of the view that no further action is required.	Yes	No further action

	Recommendation	Progress to date	Addressed?	Further action?
Improving Economy, efficiency and effectiveness				
11	The Council should develop a procurement strategy.	The Council has developed a procurement & Contract Management Strategy which was approved by Cabinet in April 2023.	Yes	No further action
12	The Council should continue to scrutinise and act to reduce contract breaches. To do this the Council should: <ul style="list-style-type: none"> introduce procurement compliance training reporting of breaches should be reported to Cabinet or Audit Committee. 	Whilst actions have been taken contract breaches remain a significant challenge for the Council. The Council is not yet seeing a significant reduction in value and number of breaches.	Ongoing	Key recommendation raised on page 12.
13	The partnership register should be extended to include a link to the Council's objective(s) and reviewed to ensure all key partnerships are included and the rationale for the inclusion of the Council's companies and trust evaluated.	The current partnership register identifies the objectives of each partnership but still does not link these to the Council's objective to which it contributes. In 2020/21 we identified the following partnerships which were excluded from the Council's partnership register; Learning City Partnership, Business Improvement Districts and the Voice and Influence Partnership. The inclusion of these partnerships from the register remain outstanding. The Council has removed its companies but the trust remains.	Partial	Completion of the original recommendation

The following recommendations were raised in our report concerning the governance arrangements for Bristol Energy and presented to the Council’s Audit Committee on 27 September 2021. Recommendations that were recorded as complete in our previous VfM report have not been repeated. BE Audit Committee Report

Recommendation	Priority	Progress to date	Addressed?	Further action?
1 The Council should consider communicating to the public the full cost of operating and winding down Bristol Energy.	● Medium	The Members Voluntary Liquidation process is still progressing - once complete the overall position will be reported.	In progress	Further action required
2 In order to support key decisions relating to significant projects the Council should ensure an options appraisal that is fit for purpose is completed prior to completing a business plan.	● Medium	A model has now been produced and requires testing on services	Complete	No further action required
3 Where the Council is working with external advisors on complex projects it should better document its response against all recommendations made.	● Medium	Guidance and training for officers is being prepared.	In progress	Further action required

.....

Recommendation	Priority	Progress to date	Addressed?	Further action?
4 The Council should update the articles of association and shareholder agreement to reflect the strengthened role of Bristol Holding Limited. The terms of reference for all elements and functions of the governance structure should be in place and updated*	 High	Interim arrangements have been introduced where Bristol Holding Limited has a reduced assurance role and the Council's strategic client role is established and developed. The Strategic Client's role has been enhanced at the same time as that of the Holding Company is reduced. However, these arrangements are not yet legally binding and have not been included within the Company's articles of association or shareholder agreement.	Outstanding	See improvement recommendation on page 34.

Opinion on the financial statements for 2021/22



Audit opinion on the financial statements

Audit work is well progressed on the 2021/22 financial statements audit with most areas substantially complete. Our financial statements audit cannot be concluded until the opinion for the financial year to 31 March 2021 is given.

Other opinion/key findings

We identified one prior period adjustment relating to the presentation of Revenue Funded from Capital Under Statute (REFCUS).

A misclassification of creditor balances was identified and this was adjusted, moving it to grants received in advanced.

A number of other disclosure findings were identified.

Audit Findings Report

More detailed findings can be found in our AFR, which will be published and reported to the Council's Audit Committee on the conclusion of audit work.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office and will be completed on the conclusion of our audit procedures.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a set of working papers to support it.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



Opinion on the financial statements for 2022/23



Audit opinion on the financial statements

The audit of the financial statements for 2022/23 is due to commence in the summer of 2023.

Audit Findings Report

More detailed findings will be reported in our AFR on the conclusion of audit procedures.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

Our work will be completed as part of our detailed audit procedures in the summer of 2023.

Preparation of the accounts

The Council provided draft accounts on 31 May 2023 in line with the national deadline.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



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 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 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 – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment 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 that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Year of audit	Risk of significant weakness	Procedures undertaken	Findings	Outcome
2021/22 & 2022/23	Financial sustainability - the Council set a balanced budget for 2021/22, but the longer term picture looks more challenging with a £37.535m gap identified over the Medium Term Financial Plan period to 2027/28. There is a risk that medium term financial plans are not sufficiently developed to close the funding gap, which in turn could impact on the council’s ability to deliver services. Due to the inherent uncertainty we have concluded that there is a significant risk of weakness in arrangements for delivering financial sustainability.	We reviewed the arrangements for: <ul style="list-style-type: none"> the Council’s arrangements for identifying and monitoring risks to financial delivery the robustness of the council’s medium term financial strategy and savings plans level and use of reserves. 	<ul style="list-style-type: none"> Dedicated Schools Grant - the cumulative deficit is continuing to escalate and the management plan at best will only deliver £48m of the estimated accumulative deficit. If the deficit is not written off or the statutory override continued it could leave the Council with significant challenges to its financial sustainability and significant reduce their reserve levels. The Council's inability to curb overspends and to deliver recurrent savings increases the risk that the Council will not be financially sustainable, increasing its reliance on the use of reserves, including re-directing some of its existing earmarked reserves. The Council has had to rely on one-off measures and use reserves in an unplanned way to reduce the forecast overspend in 2022/23. <p>Further detail on pages 15-16.</p>	Two significant weaknesses in arrangements identified and three key recommendations raised.
2021/22 & 2022/23	Financial sustainability – Our VfM work in 2020/21 identified that the Council has one of the highest Adult Social Care unit costs for Authorities of a comparable size. Liaison meetings with the council in September 2022 also confirmed a significant increase in the cost of Children’s Social Care during 2022/23. There is a risk that with the costs remaining as they are the spend will be unsustainable and will contribute to further financial pressures on the Council’s medium Term finances.	We reviewed the arrangements for: <ul style="list-style-type: none"> the Council’s social care transformation programme plans to tackle the historic cost pressures monitoring spend against budget reviewing and amending the medium term financial plan in light of the economic climate. 	<p>Adult Social Care and Children’s Social Care Services are high cost areas which continue to overspend and are unsuccessful in delivering their planned savings. These financial pressures have contributed to the issues identified above.</p> <p>Further detail on page 15.</p>	As above.

Appendix B – Risks of significant weaknesses, our procedures and findings

Year of audit	Risk of significant weakness	Procedures undertaken	Findings	Outcome
2021/22 & 2022/23	Governance - The annual capital budgets did not reflect actual spend in 2020/21 leading to an improvement recommendation in the Auditor's Annual Report. In 2021/22, the economic climate has lead to significant fluctuations in the cost of construction. As a result the Council is reviewing all projects for feasibility. As a result of these factors, there is a risk that the Council's is unable to effectively manage its capital budgets.	We reviewed the Council's arrangements for setting, monitoring its capital budgets in 2021/22 and 2022/23. We also considered any changes made since the improvement recommendation relating to the Bristol Beacon was issued in our 2020/21 VfM report.	<p>The Council continues to have a significant proportion of slippage throughout the year and this has increased from 2021/22 to 2022/23. The Council recognises that it needs to improve its capital governance arrangements and this is clearly acknowledged within its Capital Strategy for 2022/23 to 2031/32 and 2023/24 to 2032/33. The Council now has an overarching summary of the new capital programme management process; forms for project managers to complete for access to the capital programme and year-on-year re-profiling. However, in-year profiling is not undertaken and the details of spending to budget are not reported in detail to Cabinet, just at a very high level.</p> <p>Bristol Beacon remains a high risk capital programme. In May 2018 the project was originally estimated to take two years to redevelop at a cost of £48.8m. This increased to £52.2m in June 2019, £106.9m in March 2021 and in January 2023 to £131.9m, of which the Council's contribution was 64%, £83.9m. The project should be complete and open to the public in November 2023. Further detail on page 25.</p>	Proper arrangements in place two improvement recommendations raised.
2021/22 & 2022/23	Governance - how the Council ensures it makes informed decisions for its companies and for key decisions relating to high profile transactions.	<p>We reviewed the arrangements to ensure informed decision making for the following:</p> <ul style="list-style-type: none"> the governance arrangements over changes to the Council's Group structure procurement processes the key decision in relation to City Leap. 	<p>In December 2022 Cabinet agreed to establish the joint venture City Leap Energy Partnership Limited. This decision was supported by financial advice, a range of third party evidence and risk registers to enable an informed decision to be made.</p> <p>The Council is in the process of establishing its client function for this subsidiary.</p> <p>Following the establishment of City Leap Energy Partnership Limited and the transfer of the Heat Network assets to the joint venture the Council only has three wholly owned subsidiaries. Interim arrangements have been introduced where Bristol Holding Limited has a reduced assurance role and the Council's strategic client role is established and developed. The Strategic Client's role has been enhanced at the same time as that of the Holding Company is reduced. However, these arrangements are not yet legally binding and have not been included within the Company's articles of association or shareholder agreements. Further detail page 26.</p>	Proper arrangements in place two improvement recommendations raised.

Appendix C – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	Yes	6, 8, 10 and 12
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	Financial sustainability – 22 and 23 Governance – 29 - 35 Improving economy, efficiency and effectiveness – 39

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Audit Committee

24th July 2023



Report of:	Chief Internal Auditor
Title:	Internal Audit Update Report
Ward:	Citywide
Officer Presenting Report:	Chief Internal Auditor

Recommendation

The Audit Committee notes the Internal Audit Update Report highlighting the planned key activities for Quarter 2 and the implementation of agreed management actions.

Summary

The Committee received the internal audit and fraud annual reports for 22/23 in the last meeting. The Committee will receive a detailed report in September that will provide full details on internal audit performance against the approved quarterly plans and summary of outcomes from each of the completed reviews. Therefore, this report seeks to provide the Committee with a high-level update on internal audit priorities in the last quarter of this financial year.

The significant issues in the report relate to:

- Delivery of the 2023/24 internal audit plan
- The implementation of agreed audit actions



Policy

1. Audit Committee Terms of Reference

Consultation

2. **Internal**

Corporate Leadership Board including S151 Officer, Cabinet Member for Finance, Governance, Property and Culture

3. **External**

Not applicable

Context

4. The role of the Internal Audit function is to provide Members and Management with independent assurance that the control, risk and governance framework in place within the Council is effective and supports the Council in the achievement of its objectives. The work of the Internal Audit team should be targeted towards those areas within the Council that are most at risk of impacting on the Council's ability to achieve its objectives. In addition, the team provide a Counter Fraud Service to the Council to enhance arrangements for the prevention, detection, and investigation of fraud.
5. This report provides an update on internal audit matters. The Committee received comprehensive annual reports in May 2023 which provided the Committee and Management with an update on the progress in delivering the approved 2022/23 Audit Plan. This update provides details of key priorities for Quarter 2 and the implementation of agreed management actions that were due for implementation on or before 30 June 2023.

Internal Audit Activities

6. The Internal Audit Plan 2022/23 that was approved by the Audit Committee in March 2022 has now been completed and all efforts are now focused on completing the approved 2023/24 Q1 and Q2 priorities.
7. The current internal audit workload includes a variety of activities that provide assurance over the council's internal control, governance and risk management arrangements. In addition to completing agreed individual audits, Internal Audit is also focusing on:
 - Delivering ongoing and continuous assurance over key programmes and projects particularly the top four programmes (Temporary Accommodation, Property, Our Families and Adult Social Care). This work is being prioritised because embedded assurance enables:
 - programme risks being timely identified and effectively managed

- programme processes to be robust and dependable
 - opportunities to be identified and fully maximised
 - compliance with corporate project management methodology
 - timely escalation of emerging significant risks
 - regular assurance reporting to those charged with governance and senior responsible officer
- Following up agreed management actions to provide assurance that management actions are being implemented within the agreed timelines as well as supporting management in embedding monitoring and reporting processes as part of regular performance management.
 - Undertaking grant audits to certify whether the council is complying with grant conditions. A considerable number of grants have already been certified and there were no compliance issues identified.
 - Undertaking assurance work in Bristol Waste and Goram Homes to provide assurance on the adequacy and effectiveness of the companies' internal control, governance and risk management arrangements.
 - Completing an IT risk assessment within the council to identify and prioritise areas requiring assurance in Q3 and Q4.
 - Optimising fraud prevention techniques to avoid or detect fraud and ensuring that allegations of fraud or corruption are timely investigated, and appropriate action taken to recover resultant fraud losses.
8. The audit environment remains challenging as the Council continues to operate in circumstances dominated by inflation, the impact of rising costs on budgets and the rising demand for services stemming from Covid. As managers try to deal with these challenges and plan for the coming year, the speed at which internal audits are completed will inevitably slow down impacting on the ability to finalise some reports timely. However, there is ongoing engagement with management to ensure audits are completed within the agreed quarter and any issues are escalated to the Corporate Leadership Board as appropriate.
9. We previously reported about the resourcing challenges faced but the appointment of apprentices and continuous use of KPMG as the strategic partner gives us confidence that the planned work will be completed.
10. There are no proposed changes to the agreed audit work programme.

Implementation of Agreed Management Actions

11. A key activity for Internal Audit is following up and reporting on the implementation of agreed management actions. The council uses the Pentana Audit Management System to monitor and

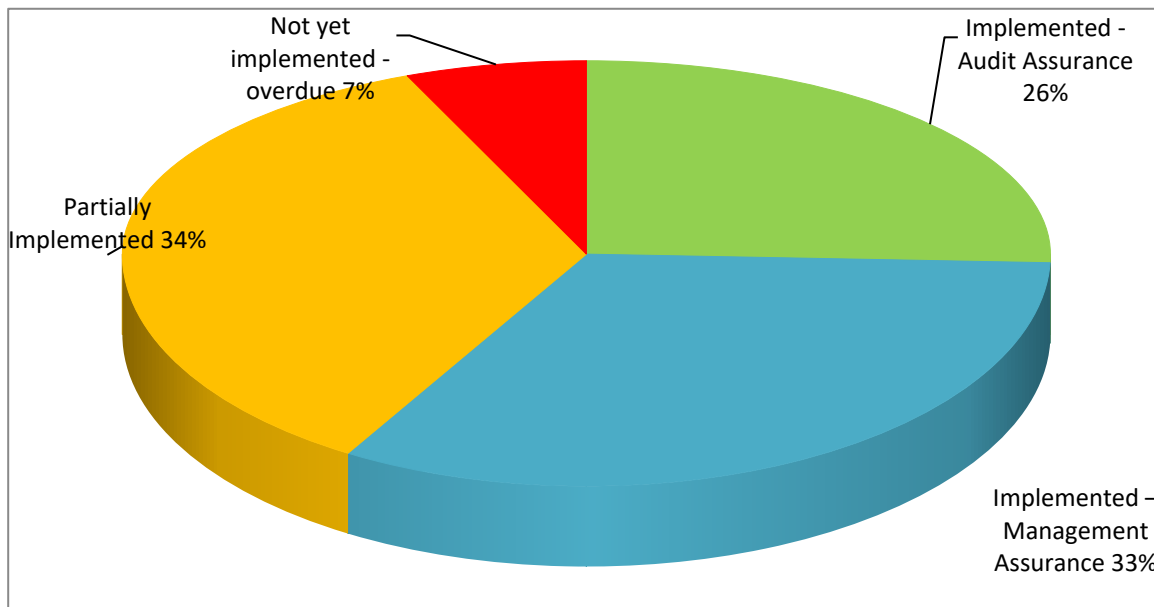
report the implementation of agreed management actions. Management is responsible for implementing the agreed actions and Internal Audit is responsible for undertaking follow up and ensuring that the progress in the implementation of the actions is monitored and reported to the Corporate Leadership Board and Audit Committee.

- 12. In 2023/24 there is a target that 90% of all agreed management actions are implemented by the due date.
- 13. As of 30 June 2023, there were 297 management actions that were due for implementation by that date. Table 1 and the pie chart below show the status of these actions on this date.

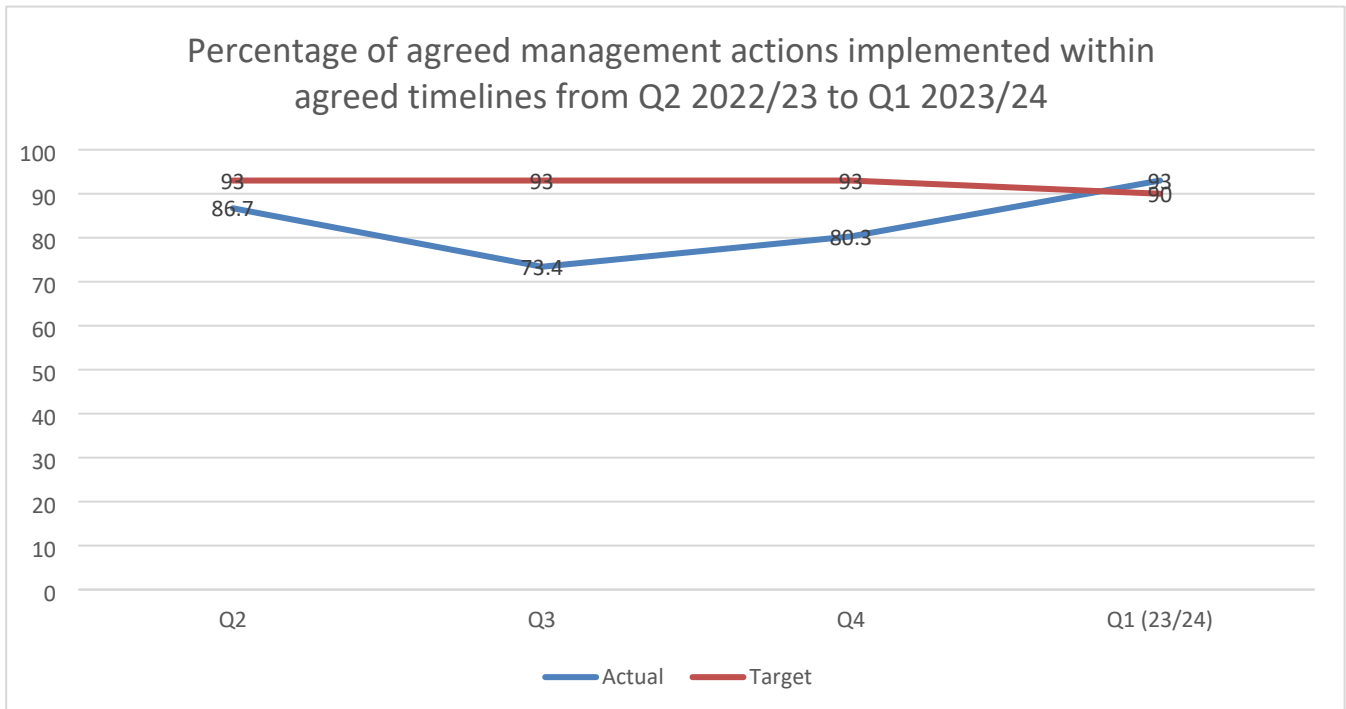
Table 1

Action Status	High	Medium	Grand Total
Implemented - Audit Assurance	23	53	76
Implemented – Management Assurance	32	66	98
Partially Implemented	33	68	101
Not yet implemented - overdue	2	20	22
Grand Total	90	207	297

All actions with a due date on or before 30 June 2023



14. As can be seen from the above table and pie chart 93% of the actions were either fully or partially implemented. This performance is better than the target of 90% and the graph below shows a significant improvement from the previous three quarters.



15. This positive trajectory will need to be sustained so work is now ongoing to ensure that management can independently review their progress regularly as part of their performance management arrangements. In this quarter Internal Audit will support management in enhancing management processes that ensure timely and robust monitoring of due actions. Management should maximise the opportunities arising from the automation of the follow up process to proactively management these actions. Once these processes are established, the role of Internal Audit will then be limited to undertaking detailed follow ups and quarterly reporting.
16. The next report on the implementation on agreed action will be presented to the Audit Committee in September 2023.

Proposal

17. The Audit Committee notes the Internal Audit Update Report highlighting the planned key activities for Quarter 2 and the implementation of agreed management actions.

Other Options Considered

18. Not applicable

Risk Assessment

19. The work of Internal Audit minimises the risk of failures in the Council’s internal control, risk management and governance arrangements, reduces fraud and other losses and increases the

potential for prevention and detection of such issues. Areas of significant risk are detailed in the report.

Summary of Equalities Impact of the Proposed Decision

No Equality Impact anticipated from this report.

Legal and Resource Implications

Legal - Not Applicable

Financial - Not Applicable

Land - Not Applicable

Personnel - Not Applicable

Appendices:

None

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

- Public Sector Internal Audit Standards
- Various Audit Files

Audit Committee

24th July 2023



Report of: Chief Internal Auditor

Title: Internal Audit – Exceptions Report

Ward: Citywide

Officer Presenting Report: Chief Internal Auditor

Recommendation

The Audit Committee notes the report and takes assurance from management regarding the issues highlighted in the report.

Summary

This report provides the Committee with summary reports in respect of four areas for which internal audit work has recently been completed. The summary reports are provided in line with routine reporting protocols where a 'limited assurance' opinion is concluded.

The significant issues in the report are:

The four reports with limited assurance opinion are:

Appendix 1 - Savings Delivery

Appendix 2 - Adult Social Care Financial Management and Performance

Appendix 3 - Corporate Property Disposals

Appendix 4 - Health and Safety Governance

Policy

1. Audit Committee Terms of Reference

Consultation

2. **Internal**

Corporate Leadership Board and relevant Senior Management.

3. **External**

Not applicable

Context

4. It is standard practice for the Audit Committee to receive summary reports in relation to all internal audit work concluding 'limited assurance' or 'no assurance'. Several audits relating to the 2022/23 financial year have been completed but these have not yet been presented to the Committee. This is the earliest opportunity for the Committee to receive four summary reports with limited assurance opinion. The four reports are:
 - Appendix 1 - Savings Delivery
 - Appendix 2 - Adult Social Care Financial Management and Performance
 - Appendix 3 - Corporate Property Disposals
 - Appendix 4 - Health and Safety Governance
5. Relevant senior managers will be in attendance at the meeting to update the Committee and respond to any questions the Committee may have.

Proposal

6. The Audit Committee notes the report and takes assurance from management regarding the issues highlighted in the report.

Other Options Considered

7. Not applicable

Risk Assessment

8. The work of Internal Audit minimises the risk of failures in the Council's internal control, risk management and governance arrangements, reduces fraud and other losses and increases the potential for prevention and detection of such issues.

Summary of Equalities Impact of the Proposed Decision

No Equality Impact anticipated from this report.

Legal and Resource Implications

Legal

Not Applicable

Financial

Not Applicable

Land

Not Applicable

Personnel

Not Applicable

Appendices:

Appendix 1 - Savings Delivery

Appendix 2 - Adult Social Care Financial Management and Performance

Appendix 3 - Corporate Property Disposals

Appendix 4 - Health and Safety Governance

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

Various Audit Files

Background and Context

- 1.1 The Council is required to set a balanced annual budget (Local Government Finance Act 1992). In 2017, the Council set-up the Delivery Executive (DE). Its role is to monitor savings proposals and their progress to delivery through consideration and evaluation of RAG reports received from directors responsible for achieving the savings. The Change Team are responsible for setting agendas for DE, maintaining the Action Log, and updating the Master Savings Tracker (“tracker”). They have no authority to challenge the RAG reports submitted or initiate a “call-in” to have a responsible director attend the DE.
- 1.2 In the current environment of high inflation and funding pressures the Council more than ever needs to find savings from the services that it provides. Gross planned savings for 2022-23 were £24.2m. This included £6.4m rolled forward from 2021/22, as not realised in previous years.

Scope and Objectives

- 1.3 The objective of this assignment was to review and assess whether planned savings were being delivered and the effectiveness of monitoring and accuracy of reporting of the agreed savings for 2022/23.
- 1.4 The scope involved clarifying the definition of a saving with both attendance at a DE meeting to assess monitoring in action and “Deep Dives” of 15 savings (12% by number, 60% by value) to gain detailed understanding of the saving and how they would be realised. In line with best practice a risk-based approach was taken, involving documenting, and evaluating the effectiveness of internal controls and governance in managing the risk.

Audit Opinion

- 1.5 Overall, Internal Audit provided “**Limited Assurance**” over the effectiveness of the processes, monitoring, and accuracy in place to manage successful savings delivery. This led to uncertainty whether under delivery of savings would put a balanced budget for 2022/23 at risk.

Key Messages and Findings:

- 1.6 Internal Audit found there was a mature structure to the activities of the DE.
- 1.7 Internal Audit raised three high priority and five medium findings in respect of the following key weaknesses:
- A few Service Directors responsible for savings were confused about what a saving is as there is no approved Council definition; time and effort may be wasted monitoring activities that do not result in savings
 - In Internal Audit’s “Deep Dive” seven out of 15 of the savings reviewed did not have a “savings delivery plan”; DE will find it harder to challenge the savings assumptions or monitor progress
 - Savings recorded on the “tracker” are not easily reconciled to ABW
 - Delivery of the savings target for 2022-23 of £18m was in doubt; Internal Audit calculated that at least 33% of savings were “at risk” compared to 19% reported on the “tracker”
 - DE’s Terms of Reference give little scope for undeliverable savings to be rescheduled or removed from the “tracker”
 - The current action Log was not used to its full extent as a robust monitoring process to progress declared ‘actions’ to deliver or mitigate savings.

Management Response

1.8 The findings of the report have been accepted by management who have agreed management actions to address them. These include:

- A savings framework to be developed that clearly defines what constitutes a cashable saving; this will be communicated to all senior managers; this is in progress
- Finance to define protocols for the ownership of cross-cutting savings; Change Services to implement reporting in line with these in 2023/24; this is in progress as part of the work on the savings framework referred to above
- Monitoring and reporting arrangements for cross cutting savings to be implemented in 2023/24; this is in progress as part of the work on the savings framework referred to above and options around improved savings monitoring and reporting options are currently being considered
- Change Services to restate with DE expectations for 2023/24 in relation to Saving Plan production (including if DE still support Savings Plans as an appropriate tool); PMO to then reconfirm what is agreed with ESM's to assess process is working (any gaps will be flagged to DE and relevant Directors). Portfolios, Programmes and Projects (previously Change Services) have restated with DE the expectations for 2023/24 in relation to savings plan production, with all savings lines having a saving plan in place as per previous years and these now scheduled to come to DE in Q2, with an initial focus on the Top 4 priority programmes
- Finance to clearly set out the processes and procedures for appropriately recording and tracking of savings in ABW and include accounting codes on the "tracker". Rather than being done through ABW, this is being aligned instead to codes being added to the savings tracker so clarity held on where savings were expected to be made from cost centres
- Change Services to update DE's Terms of Reference and gain DE's approval for the changes; this will include the DE's expectation of the role of Change Services in savings delivery and assessing if DE would like a formal review of actions to form part of the standard agenda and if so PMO to seek to allocate time to specifically following up actions and feeding back. Draft proposed updates to the DE Terms of Reference, in line with Audit recommendations, are scheduled on the agenda for the next DE
- Reduce the potential impact of optimism bias through upskilling senior managers, with a clarification on accountabilities, and responsibilities. For 2023/24 we have introduced mandatory performance objectives on Financial Management and Complying with Management Requirements, for all Executive Directors, Directors, Heads of Service and some 4th tier managers where relevant to their specific responsibilities. These reflect the existing expectations of managers, around effective financial management and compliance but sets them out in an explicit, consistent and measurable way. These collective objectives will be monitored throughout the year with the line manager and will be assessed against the actual performance as reflected in our various reporting tools:
 - The introduction of a new Organisational Scorecard which includes budget management information and savings delivery
 - New PM3 tool will provide us with the opportunity to review confidence levels and optimism bias in practice

This more explicit accountability on compliance and effective budget management will be combined with support and training for managers where required and will include support from the new transformation strategic partner and part of the set-up of the new Transformation Office

- Change Services PMO, as part of the Terms of Reference review, to assess if DE would like a formal review of actions to form part of the standard agenda and if so PMO to seek to allocate time to specifically following up actions and feeding back. (Included within Action 5 above). Review of actions is now a standing agenda item at the start of all DE meetings.

Audit Summary – Budgeting, Financial Performance and Reporting – Adult Social Care (ASC)

Background and Context

- 1.1 Provision of ASC is regulated by the Care Act 2014. The white paper “People at Heart of Care” published in December 2021 set out a 10-year vision for ASC, with a plan for its implementation over next three years. The Council has embarked on an ambitious transformation of its ASC service delivery.
- 1.2 The Council has acknowledged that ASC faces constantly increasing demand, which has been further impacted by the Covid-19 pandemic. This makes strong budget management even more important.

Scope and Objectives

- 1.3 The objective of this assignment was to review the internal controls surrounding the budgeting, financial performance and reporting arrangements for ASC. The scope of the assignment included the following areas:
 - Review plans for delivery of savings by ASC
 - Review of financial reporting within ASC and beyond
 - Review of management responses to budget pressures.

The scope of the assignment excluded budget assumptions and the budget setting process.

Audit Opinion

- 1.4 Internal Audit provided ‘**Limited Assurance**’ that the risks associated with providing Adult Social Care (ASC) within the approved budget are being managed effectively.

Key Messages and Findings:

- 1.5 Internal Audit found that positively:
 - The Finance Team scrutinised and reported reasons for ASC budget pressure and overspends monthly to the Cabinet
 - The (then) People EDM and ASC DLT discussed the budget forecast and budget pressure monthly
 - There was an ASC Transformation Programme whose key objectives included delivering the ASC savings requirements as set out in the Medium-Term Financial Plan and establishing business practices which enable financial stability and control.
- 1.6 Internal Audit raised one high priority and two medium findings in respect of the following weaknesses:
 - The ASC budget was forecasting to be overspent at the end of the financial year (2022/23) even after the approval of supplementary budget estimates, which demonstrated challenges in controlling the budget
 - Based on ASC Service budget and ASC Transformation Programme savings reports, ASC were unlikely to deliver a significant part of their planned savings in the current year (2022/23) which would compromise the overall budget position of the Council
 - There was no direct interface between Controcc and ABW resulting in reliance on two members of the Finance Team to prepare budget monitoring reports and forecasts using Excel, which is inherently risky
 - Heads of Service were not confident that they and budget managers had sufficient financial skills and professional support to manage their budgets; an ASC financial performance and governance model had yet to be developed.

1.7 Internal Audit noted that the Council’s challenging overall budgetary position was worsened by the likely ASC budget overspend and possible non-delivery of savings, together with service managers’ lack of confidence in their ability to manage their budgets. Work in progress to contain the budget pressures was recognised but given the Council’s current financial position, Internal Audit considered it imperative that the then current approaches to ASC budget management and savings delivery were holistically reviewed to enable implementation of effective cost containment methodologies and development of deliverable savings plans. Based on feedback from Heads of Service, it was considered critical that financial capability was enhanced at that level.

Management Response

1.8 The findings of the report have been accepted by management who have provided agreed management actions to address them. These included:

- Savings actions and activity to continue for the remainder of the financial year with focus to try and increase the amount of savings achieved.
- Future savings for 23/24 have been identified in relation to third party care spend of £4m. This includes increased governance and control of spend
- Approach to forecasting to be raised with the Deputy Section 151 Officer for advice and guidance
- Finance to liaise with all budget holders including Heads of Service to identify Finance skills gaps and consider the resources needed to deliver a Finance upskilling and training programme. Meetings with budget holders will capture actions as appropriate.

1.9 Management have provided a further update to reflect the current position as follows.

Savings Actions and Outturn Position

1.10 As reported in the Provisional Outturn Report to Cabinet (15 May 2023), the ASC directorate reported an end of year balanced position against its revised budget of £178.0 million. The improvement of £1.4 million from the P10 forecast was driven by improvement in governance and cost management on adult purchasing budgets, along with spend control and mitigating actions in other non-adult purchasing budget areas.

1.11 It should be noted that ASC received in year supplementary estimates totalling £2.8 million to support in year pressures and initiated additional savings activities totalling £2.1 million. It also received opening technical budget virements of £3.4 million to adjust for inflation and 2021/22 pay awards. Without these budget revisions, the ASC directorate would have overspent by £8.3 million.

1.12 There are several areas that led to the improvement in the financial position in the final months of the year. These include:

- Greater delivery of savings than previously forecast
- Additional funding received in relation to People Major Systems Programme £0.2 million
- Housing related support of £0.4 million
- Improved property income of £0.2 million
- A reduced internal recharge in relation to the Emergency Duty Team of £0.2 million
- Adult purchasing budget changes of £0.3 million along with other smaller movements totalling £0.1 million.

Extract from budget report

2022/23 Outturn - Summary										
SERVICE NET EXPENDITURE SUMMARY	Full Year 2022/23				Period 10 Forecast			Movement since P10		
	Approved Budget	Revised Budget	Outturn	Projected Outturn Variance	Budget	Forecast	Variance	Budget	Forecast	Variance
	£000s				£000s			£000s		
1 - People										
14 - Adult Social Care	165,389	177,954	177,938	(16)	174,219	175,597	1,378	3,735	2,341	(1,394)

- 1.13 Future savings for 23/24 have been identified in relation to third party care (purchasing budget) spend of £4m. This includes increased governance and control of spend. Adult purchasing budgets are currently forecasting a risk of overspend, and ASC is working with delivery partner Peopletoo on a series of measures to address this. These will not be available until 11 August 2023. The service is facing the challenge of both increased cost pressures and demand in terms of managing this budget.
- 1.14 The approach to forecasting has been raised with the Deputy Section 151 Officer. The Finance Team is currently going through a restructure, and it is hoped that this will result in additional resources being deployed to ASC to address the risks related to forecasting in a highly complex environment with only limited Finance capacity currently.
- 1.15 Finance is continuing to work with all budget holders including Heads of Service to identify skills gaps and consider the resources needed to deliver a Finance upskilling and training programme. Meetings with budget holders on monthly forecasts will capture actions as appropriate.

Background and Context

- 1.1 Bristol City Council's Corporate Landlord function is responsible for managing the Council's investment and operational estate, including decisions to acquire or dispose of properties. Following financial review, the Council decided to complete two tranches of property disposals in the 2022-23 financial year, the first of which was approved by Cabinet in April 2022. The Council has set a target to reduce its estate by around 50%, therefore a robust approach to disposals is essential to ensure that target can be achieved.
- 1.2 This review considered the processes and controls in place within the Corporate Landlord function to identify, approve, and manage the disposal of properties.

Scope and Objectives

- 2.1 The scope of the assignment included the following areas:
 - Consideration of the Council's processes for identifying properties to dispose of and how rationale for disposal is documented
 - Assessment of governance arrangements in place to review, approve and monitor asset disposals and whether these are consistent with the Council's disposals policy and/or Scheme of Delegation
 - Assessment of the processes for bringing properties to market in a timely manner following approval to dispose, and how effectively the Council engages with external agencies in the sales process.

Audit Opinion

- 3.1 Overall, Internal audit obtained **limited assurance** that effective processes for property disposal were in place.

Key Messages and Findings:

- 4.1 We reviewed the design and operating effectiveness of controls regarding property disposals in the Corporate Landlord service. While outline processes for property disposal were complied with there are key areas of the process which need to be improved, such as the updating of the property strategy, formalisation of procedures, establishment of criteria to proactively drive identification of properties with potential for disposal, sufficient information to track them to disposal, and more robust documentation of decisions and actions.
- 4.2 Properties identified by the Corporate Landlord Team with potential for disposal are shared across the wider Council to ensure that business need is considered prior to a decision to dispose. The Executive Director of Growth and Regeneration has delegated powers to approve corporate property disposals, but additional transparency and oversight is achieved as all disposals are approved by Cabinet.
- 4.3 While there are governance structures which are ensuring adequate review and approvals in asset disposals, these structures have not been formalised through documented terms of reference and meeting records to enable effective monitoring of disposal performance. Meetings have not been at a regular frequency to enable prompt decision-making, and information to inform decision-making is not always detailed enough, such as outcomes of discussions on sign-off processes that were not minuted and actions without assigned due dates.
- 4.4 The Council has a corporate property strategy, but changes in governance structures and objectives have meant this strategy is out of date and should be updated to reflect current operations.

- 4.5 A complete list of properties under Council ownership is in place. However, clear criteria or performance triggers for identifying properties with potential for disposal and which align to the corporate property strategy objectives do not exist. Information on Council properties can be incomplete or dated. Though a high-level disposal process is documented, formal documentation of key processes to cover process flow from identification to final disposal are not in place.
- 4.6 Agents are appointed to market and sell properties approved for disposal, but the Council has no clear procedure for the appointment and performance management of agents, such as using procurement frameworks or standing agreements with third parties.
- 4.7 We raised one high and three medium priority findings. These related to:
- A lack of formal criteria to identify properties for potential disposal, and incomplete information on the Council's disposals tracker
 - An out-of-date property strategy and disposals procedures that are not sufficiently detailed and lack formal approval
 - Inadequate recording of decisions and action tracking
 - Lack of a process to appoint and manage performance of sales agents.

Management Response

- 5.1 The findings have been accepted by management who have agreed management actions to address them. These include:
- Develop a new Property Strategy for approval by the end of 2023/24
 - Review, revise and update the disposals process and gain approval for this from the Estates Strategy Board
 - Re-build the property capital tracker to enable effective decision-making to realise savings and accurately forecast capital receipts
 - Establish a new governance process for the Corporate Property Programme, re-define scope and responsibilities of the Estates Board and the introduction of a new Programme Board
 - Review the process for the appointment of sales agents in liaison with colleagues in Procurement and Contract Management.

Background and Context

- 1.1 Bristol City Council has a legal duty to put in place suitable arrangements to manage health and safety. The Council has an obligation under the Health and Safety at Work Act 1974 ('HSW Act') to undertake reasonable measures to protect the health, safety and welfare of its employees, visitors, and members of the public.
- 1.2 The Council has developed its Health & Safety Strategy (Health, Safety and Wellbeing Strategy 2021-2026) and is introducing new activities to support delivery of that, such as briefings to managers on health and safety governance arrangements and specific staff training such as stress management standards. The Health & Safety Team is in the process of undertaking a risk-based review of all its health and safety specific policies and procedures; a review of its corporate health and safety monitoring system (CHaSMS); and developing a new accident investigation procedure.
- 1.3 This audit was undertaken in March 2023. It reviewed governance arrangements for managing health and safety at the Council and assessed progress with implementation of the Health & Safety Strategy.

Scope and Objectives

- 2.1 The scope of the assignment included the following areas:
 - Assessment of governance arrangements in place to review, approve and monitor the Council's health and safety risks
 - Assessment of progress with delivering commitments in the Council's Health & Safety Strategy
 - Consideration of managers' understanding of their roles and responsibilities in relation to health and safety, and the perceived barriers and levers to achieving that.

Audit Opinion

- 3.1 Overall, Internal audit obtained **limited assurance** that effective health and safety governance arrangements were in place.

Key Messages and Findings:

- 4.1 The Council's formal governance structure for the management of health and safety risks includes Directorate Health and Safety (H&S) Committees, overseen by a Corporate Health and Safety Consultative Committee. An annual report is produced each year, reported through CLB and discussed at the Corporate Safety Consultative Committee. The report details health and safety performance and developing activity to improve and manage health, safety, and wellbeing across the Council.
- 4.2 During 2022/23, only the Resources Directorate H&S Committee met formally each quarter and there were no meetings of the People Directorate H&S Committee. Management explained that local committees meet informally within the People, and Growth and Regeneration (G&R) directorates; however, there is no corporate oversight or record of these committees.
- 4.3 The Terms of Reference for the Corporate Health and Safety Consultative Committee have not been updated since 2014 and discussion with officers on the committee highlighted that the committee may not be operating as effectively as it should. The Health and Safety team is aware of the challenges in the governance structure and is reviewing arrangements. Management explained that since our review, work has been done to reinstate the G&R Directorate H&S Committee.

- 4.4 During 2022/23, Health and Safety updates were reported quarterly to EDMs in both the Resources and G&R directorates. There was no regular Health and Safety reporting delivered to the People EDM. Management confirms they are in discussions to set up regular reporting to the Children and Families EDM. At the time of our review, similar discussions have not yet been held regarding reporting within the Adults and Communities directorate.
- 4.5 The Health, Safety, and Wellbeing Strategy 2021-2026 approved in April 2021 sets out aims in the short, medium, and long term. We reviewed progress against the short-term aims in the strategy and found improvement opportunities in the way progress is measured and monitored. Aims in the strategy are not supported by Key Performance Indicators (KPIs) or a detailed action plan to set out how progress and achievement will be measured. The annual Health Safety and Wellbeing report for 2021/22 includes narrative reference to the strategy. There is no regular reporting of progress against the strategy through the year to allow issues to be identified and addressed in a timely manner.
- 4.6 A survey distributed to all staff in the Council at Manager level and above resulted in 110 responses. Analysis of results demonstrated respondents feel able to discuss health and safety concerns with their managers and feel comfortable seeking advice from the corporate Health and Safety Team who are approachable and helpful. Survey results highlighted a strong commitment to health, safety, and wellbeing amongst managers, they were clear about their roles and responsibilities and many highlighted improvements in the Council's incident reporting processes. However, many colleagues did not feel that people who follow health, safety, and wellbeing processes appropriately are recognised, or that people who do not follow health, safety, and wellbeing processes appropriately are called out. A significant number felt that they did not have sufficient support to fulfil their responsibilities relating to health, safety, and wellbeing.
- 4.7 We raised two high, one medium and two low priority findings. These related to:
- Governance structure and the role of the Health & Safety Committees
 - Health & Safety reporting
 - Progress with implementing the Health & Safety Strategy
 - Lack of mechanisms to confirm risk assessment updates or approvals are undertaken
 - Managers identifying they need additional support to fulfil their health & safety responsibilities.

Management Response

- 5.1 The existing H&S governance structure is already under review and the findings of the report have been accepted by management who have agreed management actions to address them. These include:
- Revising the existing governance structure for health and safety to ensure that the governance works effectively and demonstrates strong and effective leadership, staff involvement and assessment and review. This will include a full review the terms of reference (ToR) of the Corporate Health and Safety Committee to include the purpose, objectives, measuring progress and membership, and a similar review of the ToR of Directorate Safety Committees across the four Directorates
 - The corporate H&S team will hold central records of the outcomes and decisions of those meetings, so there is strengthened corporate oversight on all areas of assurance and compliance
 - The EDM and CLB Reporting Cycles will be more clearly defined so that there is a clear oversight of directorate and corporate data, risks, and performance against KPIs in the corporate H&S strategy
 - As part of the governance review, performance reporting will be revised to ensure a consistent approach across all Directorates and visibility of progress and maturity gaps and concerns
 - Review the health & safety strategy to clarify the aims and create measurable outcomes and KPIs. Progress monitoring is proposed (subject the agreed new governance structure) to be quarterly via CLB, Corporate Safety Committee, Directorate Safety Committee, and EDMs
 - The existing suite of KPIs will be developed to link directly to the aims of the H&S strategy, to demonstrate how progress is measured, and reports will include more analysis and insight on themes and action taken as a result. H&S data will be included in the new corporate performance framework and will use existing data to help managers review progress and risks locally and at a corporate level

- Publicise the revised strategy to all staff and managers through a programme of communications, on-line briefings, and face-to-face development workshops, and work with the L&D team on a revised training strategy and development plan including core training for managers
- The newly re-launched CHASMs will monitor areas of compliance and recognise and share good practice via the governance structure but also via internal communication channels
- A survey will be sent to managers to identify which areas of health and safety risk intervention they need help with.

Audit Committee

24th July 2023



Report of: Chair of the Audit Committee

Title: Audit Committee Annual Report to Full Council – Draft Report

Ward: N/A

Officer Presenting Report: Chief Internal Auditor

Recommendation

The Committee Members consider and approve the Audit Committee's Draft Annual Report to Council for 2022/23.

Summary

The report provides a summary of the work of the Committee during 2022/23 and its conclusions following oversight of the assurance, governance and risk management frameworks within which the Council operates.

The significant issues in the report are:

The key issues covered in the report relate to the following:

- the Audit Committee's Terms of reference and the requirement to provide Full Council with an Annual Report.
- Key messages for Full Council from the work of the Committee in 2022/23.



Policy

The Audit Committee's Terms of Reference are determined by Full Council. The Council has a duty to ensure adequate and effective risk management, internal control and governance arrangements and the economy, efficiency and effectiveness of its activities. The Audit Committee has a key role in assessing the extent to which this responsibility is being met and advising the Council on the adequacy and effectiveness of these arrangements.

Consultation

1. **Internal**
Audit Committee Members
2. **External**
N/A

Context

3. The Committee's Terms of Reference include a requirement to provide Full Council with an Annual Report summarising its conclusions from the work it has undertaken during the year. The Draft Annual Report to Full Council is provided at Appendix A.

Proposal

4. The Committee review the Annual Report to Full Council and approve it for submission to Full Council, subject to any amendments required identified at the Committee meeting. In addition, the Chair of the Audit Committee to present the report at Full Council on behalf of the Committee.

Other Options Considered

5. None

Risk Assessment

6. The assurances provided to the Council by the Audit Committee are an important element of the Council's governance arrangements.

Public Sector Equality Duties

- 7a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following "protected characteristics": age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
 - i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.

- ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to:
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to:
 - tackle prejudice; and
 - promote understanding.

7(b) No Equality Impact anticipated from this report.

Legal and Resource Implications

Legal – N/A
Financial – N/A
Land – N/A
Personnel – N/A

Appendices:

Appendix A – Draft Audit Committee Report to Full Council 2022/23

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

Audit Committee papers throughout 2022/23

CIPFA Guidance on Audit Committee Effectiveness 2018



BRISTOL CITY COUNCIL

AUDIT COMMITTEE

ANNUAL REPORT 2022-23

draft

1. Introduction:

- 1.1 It is important that the Council has an independent and effective Audit Committee that follows best practice. The Audit Committee is the primary means by which Full Council obtains assurance that governance, risk management and control systems are in place and effective. It ensures that these are regularly reviewed and reflect regularity and propriety. The Audit Committee's responsibilities are additional to and supportive of those of the Section 151 Officer.

2. Terms of Reference:

- 2.1 The Committee's approved Terms of Reference for 2022/23, which are detailed on the Bristol City Council website, can be summarised as providing independent assurance to the Council in relation to the:
- Effectiveness of the Council's governance arrangements, risk management framework and internal control environment;
 - Overseeing the work of Internal and External Audit, while at the same time enhancing the profile, status and authority of the Internal Audit function and its independence;
 - Effectiveness of the Council's financial and non-financial performance to the extent it affects exposure to risk and poor internal control;
 - Reviewing and approving the Annual Statement of Accounts and the Annual Governance Statement and monitoring the Council's compliance with its Code of Corporate Governance.
- 2.2 The Committee should operate in an 'apolitical' environment. To support this, Political Group Leaders do not sit on the Audit Committee and this is reflected in the Committee's Terms of Reference.

3. Membership and Meetings of the Committee:

- 3.1 The Committee was chaired during 2022/23 by Councillor Andrew Brown. The Committee comprised of nine members as indicated in the table below with two independent members, Adebola Adebayo and Simon Cookson. Councillor Grant was a member of the Committee for the first part of the year only and was replaced by Councillor Poultney.
- 3.2 The Committee met formally on six occasions during 2022/23. All meetings were quorate and face to face in line with government requirements for all committee meetings. Attendance at the meetings is recorded below:

Member	No. of meetings Held	No. of Meetings Attended	Percentage of meetings attended
Andrew Brown (Chair)	6	5*	83%
Tony Dyer (Vice Chair)	6	5*	83%
John Geater	6	3**	50%
Zoe Goodman	6	5	83%
Katy Grant	3	1*	33%
Jonathan Hucker	6	5*	83%
David Wilcox	6	6	100%
Hibaq Jama	6	0	0%
Fabian Breckels	6	4	67%
Guy Poultney	3	2	67%
Adebola Adebayo	6	6	100%
Simon Cookson	6	5	83%

**Councillors Kent, Stafford-Townsend, Gollop, Eddy (twice) or Mack substituted at meetings where members of the Audit committee were not available.*

- 3.3 In addition to the Committee Members, the Section 151 Officer, Chief Internal Auditor, Deputy Chief Internal Auditor, Monitoring Officer, representatives from the External Auditors (Grant Thornton) and other officers, as appropriate, attended Committee meetings.
- 3.4 A total of thirty-nine reports were considered during the year, the details of which are provided in Appendix 1. Additionally, at each meeting, the Committee’s work programme was reviewed for continued relevance and progress against actions required by the Committee was monitored. Public forum was also received at some meetings.
- 3.5 The Value and Ethics Committee (a subcommittee of the Audit Committee) met twice receiving reports detailing Members Development and dispensations. This subcommittee was chaired by one of the independent members, Adebola Adebayo.

4. The Work and Activity of the Audit Committee in 2022/23:

- 4.1 The specific objectives of the Committee relate to overseeing arrangements in the following areas. Papers received by the Committee to enable them to provide that oversight are recorded below:

Area	Papers Considered to Enable Oversight
Internal Control Environment	<ul style="list-style-type: none"> Internal Audit Annual Report 2021/22 and Half Year Update 2022/23 Internal Audit Activity reports through the year with Exception Reporting and Management Action Tracking Independent Review of Whistleblowing Arrangements 2022/23
Corporate Risk Management	<ul style="list-style-type: none"> Q4 2021/22 Corporate Risk Report, Q1 – Q3 2022/23 Corporate Risk Reports Risk Management Annual Report 2021/22 Review of Specific Corporate Risk - Emergency Planning Measures Digital Transformation Change and Governance Update
Regulatory Framework	<ul style="list-style-type: none"> Draft Annual Governance Statement 2021/22 Annual Report of Local Government and Social Care Ombudsman Summary of External Inspections Bristol Holding Ltd Audit & Risk Committee Annual Assurance Report
Internal Audit Effectiveness	<ul style="list-style-type: none"> Internal Audit Planning and Draft Plan 2023/24 – Quarter 1 Internal Audit Annual, Half Year and in year activity reports. Internal Audit Quality Assurance and Improvement Plan, Charter and Strategy External Review of Bristol City Council Internal Audit Service Compliance with professional standards for public sector auditor.
External Audit Effectiveness	<ul style="list-style-type: none"> External Audit Plan External Audit Progress Report and Sector Update Grant Thornton Value for Money Audit Plan 2021/22 and 2022/23 Estimated External Audit Fees 2020/21 Informing the Audit Risk Assessment Report
Financial Reporting and Value for Money	<ul style="list-style-type: none"> Interim External Auditors Annual Report on Bristol City Council External Audit Findings Report for 2020/21 Draft Financial Statements 2021/22 Avon Pension Fund Revised Financial Scheme of Delegation
Treasury Management	<ul style="list-style-type: none"> Treasury Management Annual Report 2021/22 Treasury Management Mid-Year Report 2022/23
Anti-Fraud Arrangements	<ul style="list-style-type: none"> Fraud Annual Report 2021/22 Counter Fraud Half Year Update Report 2022/23

Key Messages from the Work of the Committee:

- 4.2 As well as this annual report to Full Council, a half year report was provided on issues identified from its work during the first half of the year. The aim was to provide Council with early sight of emerging issues. This annual report captures key messages from the work of the Committee during the full year but should be read alongside the half year report for fuller details.

Internal Control Environment:

- 4.3 The Committee received an Annual Report from the Chief Internal Auditor at the start of the municipal year in line with the requirements of the Public Sector Internal Audit Standards (PSIAS). For 2021/22, the Chief Internal Auditor concluded 'Reasonable Assurance' that the Council's systems of internal control, governance and risk management were adequate and operating effectively. In noting this opinion, the Chief Internal Auditor acknowledged that the lasting impact of covid and other global and national events have created significant risk for the Council and emphasised the importance of prioritising governance, risk and control improvements to support delivery of the council's ambitions.
- 4.4 In the Annual Report and through the year, a number of areas, noted below, were identified as requiring improvement and the Committee continue to monitor these areas via regular reports from Internal Audit.
- Information Governance, resilience and IT Transformation
 - Compliance with Procurement Rules
 - Risk Management
 - Management of Conflicts of Interest
 - Adult Social Care Direct Payments
 - Special Educational Needs and Disability (SEND)
 - Delivery of financial savings
 - Financial scheme of delegation.
- 4.5 Where audit work identifies weaknesses in control, governance and risk management arrangements, actions are agreed by management to address these matters. The Committee has been advised by the Chief Internal Auditor that satisfactory progress is being made in the implementation of these actions but has emphasised the need to ensure these improvements are given priority.
- 4.6 Additionally, the Director: Policy, Strategy and Digital provided a report that summarised activity undertaken or planned to address the root causes of the limited assurance reports in respect of digital transformation and governance.

Internal Audit:

- 4.7 The Committee has a role in reviewing the effectiveness of Internal Audit. During 2022/23, the Audit Committee oversaw an external assessment of the Internal Audit Team's compliance with the Public Sector Internal Audit Standards. The external assessment is required every five years and concluded that the Internal Audit Service conforms with the requirements of the Standards. This positive outcome reflects the improvements made by the whole team in respect of its approach and process over the last few years.
- 4.8 For 2023/24, the Team has moved to quarterly audit planning. Local government sector challenges and significant levels of organisational change are creating uncertainty, complexity and increasing risk. Quarterly planning enables the team, and the Committee, to ensure audit plans are flexible and adaptive to new and emerging risks in this environment.

Risk Management:

- 4.9 The Committee has received a report from the Council's Risk and Insurance Manager detailing the progress being made to embed risk management at the Council. The risk management arrangements continue to embed. In addition, the Committee received quarterly risk reports which identify the key risks to the Council and how they are being managed.
- 4.10 Detailed briefings in relation to the following risk areas have also been received by the Committee:
- Emergency Planning Measures
 - Avon Pension Fund including a presentation from the Fund administrators.

Regulatory Framework:

- 4.11 The Annual Governance Statement is a key consideration for the Committee each year. It outlines the governance arrangements at the Council and concludes on how effectively those arrangements have been operating. The Committee was assured by the review process and approved the 2021/22 Annual Governance Statement as a fair reflection of the Council's governance arrangements. The Statement identified a number of issues that had significantly impacted the Council's governance arrangements. These were detailed in the Committee's half year report and related to:
- The Dedicated Schools Grant (DSG) Deficit
 - The level of breaches of the Council's procurement rules
 - Under-delivery of planned savings.
- 4.12 As part of their consideration of the Annual Governance Statement, the Committee reviewed a self-assessment of compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code which noted a reasonable level of compliance. Areas for improved compliance were identified and will be monitored annually by the Committee.

External Audit:

- 4.13 The Committee received a number of reports from the Council's external auditors relating to progress of audits in relation to the audit of 2020/21 and 2021/22 accounts. Additionally, the Committee received reports relating to value for money and the Council's arrangements for securing economy, efficiency and effectiveness. While a number of improvement recommendations were made, their work did not conclude significant weaknesses in these arrangements for the years reviewed.

Counter Fraud Arrangements and Whistleblowing:

- 4.14 The Committee received regular updates on the counter-fraud work undertaken by Internal Audit and noted the robust approach taken in respect of counter-fraud arrangements.
- 4.15 The Committee has monitored continual improvements being made to whistleblowing arrangements. Notably, an independent review of whistleblowing arrangements at the Council has concluded substantial assurance that arrangements are in place and effective.

5. Audit Committee Development and Effectiveness

- 5.1 In October 2022, the CIPFA published its updated guidance to Audit Committees: 'Practical Guidance for Local Authorities and Police'. A workshop was held with Committee members in February 2023 to reflect on the Committee's practice and review this guidance. A number of improvement opportunities were identified and will be implemented during 2023/24 to support the Committees continual improvement.
- 5.2 In addition, the Chair has attended LGA training and also participated in South West Councils' Audit Committee Chairs Forum.

6. CONCLUSION

- 6.1 Bristol City Council continues to face significant financial challenges creating risk to delivery of the Councils objectives. Delivery of savings and transformation programmes going forward will be key mitigations in managing some of these risks and robust governance, control and risk management will be vital to support this. The Committee works to help ensure that Governance, Control, Risk Management and Audit systems which underpin the work of the Council are sound, reliable, robust and secure.
- 6.2 This report gives an overview of the range of work undertaken by the Committee, which has enabled it to fulfil its terms of reference and conclude that there are some areas where the Council's system of checks and balances are not as robust as required. The Committee's forward work programme will include monitoring of these to ensure improvement.
- 6.3 The Audit Committee would like to extend its thanks and appreciation to all the officers who have contributed reports and responded to questions from committee members. Audit Committee has a vital role to play and this is greatly enhanced by a high standard of input from all those who contribute.

Appendices:

Appendix 1 – Reports considered by the Audit Committee in 2022/23 including reports considered by the Values and Ethics Committee.

Meeting date	Papers considered
27 th June 2022	<ul style="list-style-type: none"> • Interim External Auditors Annual Report on Bristol City Council • Internal Audit Annual Report 2021/22 • Fraud Annual Report 2021/22 • Draft Annual Governance Statement 2021/22 • Q4 2021/22 Corporate Risk Report Update
26 th July 2022	<ul style="list-style-type: none"> • Draft Financial Statements 2021/22 - To follow • Estimated External Audit Fees 2020/21 • Bristol Holding Limited Audit & Risk Committee Annual Assurance Report • Q1 - Strategic Risk Report • Internal Audit Exception Reporting including Management Action Tracking • External Review of Bristol City Council Internal Audit Service
26 th September 2022	<ul style="list-style-type: none"> • External Audit Plan • Treasury Management Annual Report 2021/22 • Risk Management Annual Report 2021/22 • Q2 Corporate Risk Report • Annual Report of Local Government and Social Care Ombudsman • Internal Audit Activity Report • Audit Committee Annual Report to Full Council
21 st November 2022	<ul style="list-style-type: none"> • Grant Thornton Value for Money Audit Plan 2021/22 • Informing the Audit Risk Assessment Report • Treasury Management Mid-Year Report • Avon Pension Fund • Review of Specific Corporate Risk - Emergency Planning Measures • Counter Fraud Half Year Update Report • Draft Audit Committee Half Year Report to Full Council • Internal Audit Quality Assurance and Improvement Plan, Charter and Strategy • Internal Audit Half Year Update
30 th January 2023	<ul style="list-style-type: none"> • Grant Thornton Value for Money Plan 2022/23 • Audit Findings Report for 2020/21 • Internal Audit Update Report • Internal Audit Exception Report • Digital Transformation change and governance update • Q3 Corporate Risk Report
6 th March 2023	<ul style="list-style-type: none"> • External Audit Progress Report and Sector Update • Internal Audit Draft Plan 2023/24 - Quarter 1 • Independent Review of Whistleblowing Arrangements 2022/23 • Internal Audit External Professional Standards Assessment • Summary of External Inspections • Revised Financial Scheme of Delegation
Value and Ethics Sub-Committee Meetings	
27 th June 2022	<ul style="list-style-type: none"> • Member Development Update Report • Summary of Complaints against Councillors - March 2021- May 2022
30 th January 2023	<ul style="list-style-type: none"> • Dispensations

Audit Committee

24 July 2023



Report of: Director of Finance

Title: Update on the Council's Debt and Arrears Position

Ward: City Wide

Officer Presenting Report: Kevin Smith (Operations Manager, Revenues and Benefits)

Recommendations:

- That the Audit Committee note the internal debt / arrears update report to the period 31 March 2023 and the ethical approach to debt collection being taken to address this position.

Summary

This report seeks to provide the Audit Committee with a high-level update on the council's debt position and write offs and the ethical steps being taken to improve collection and minimise sundry debt.

The significant issues in this report are:

- That the level of debt across all debt types remains higher than in previous years due to the impact of the COVID-19 pandemic and more recently in conjunction with the cost-of-living crisis and wider global macroeconomic events.
- Write offs undertaken during the period 01 April 2022 to 31 March 2023 have increased from the previous year due to increased recovery activity.



1. Summary

- 1.1. This briefing paper provides an overview of the debt position across revenues and benefits, parking services, housing (domestic rent and temporary accommodation) and sundry debt (including adult social care) and details the steps being taken to improve collection and minimise sundry debt across a number of service areas.
- 1.2. The paper also provides details of those sums written off in line with the corporate debt management policy and scheme of delegations during the period 01 April 2022 to 31 March 2023.

2. Context

- 2.1. The council sends invoices, bills and demand notices in respect of various statutory and non-statutory charges. The methods for the billing and recovery of statutory charges are prescribed by statute, whereas those in respect of non-statutory debts are less prescribed.
- 2.2. The council collects income from many streams; some of this activity is governed by legislation while others by sound principles of financial management. The key to economic, efficient and effective income management is the creation and maintenance of a clear framework that sets out the approach, principles and strategy within which all activities will be conducted.
- 2.3. It is essential that all monies due are collected effectively by the council and that debt owed to the council is kept to a minimum. This is because the council has both a legal duty and a responsibility to its citizens to ensure that income due is collected promptly.
- 2.4. Effective income management processes are critical to the delivery of overall council service objectives. An efficient income management process contributes to the availability of resources for service provision. Every pound of income that is not collected or takes extra effort to collect leads to one or two potential outcomes, namely:
 - A resource needing to be taken from the overall service budget to compensate for the cost of collection, for example charging order costs; or
 - Loss of income for the council, which could in the longer-term result in reduced services.

3. Impact

3.1. COVID-19 Pandemic

- 3.1.1. The impact of COVID-19 pandemic on both citizens and businesses was unprecedented and despite a huge degree of public policy support, the crisis hit incomes and employment opportunities.
- 3.1.2. There is evidence to suggest that some households, particularly those with low incomes, have exhausted savings and increased debt.
- 3.1.3. During the COVID-19 pandemic, like many authorities, Bristol temporarily suspended or paused recovery work. This temporary measure aligned with the governments circa.18 months COVID-19 support; to businesses via grants and reliefs, tenants via the eviction ban, low-income households via additional local council tax reduction payments, the household support fund and £20 per week uplift in universal credit, which ended in October 2021.
- 3.1.4. Council financial government support included a scheme for in-year loss of income (including

summons income) which compensated councils for 75% of 95% of income loss on qualifying streams once assessed as irrecoverable. This funding applied to both 2020/21 and 2021/22 however this ceased from 2022/23.

3.2. Cost of Living Crisis

3.2.1. Wider macro-economic events such as the UK's exit from the European Union, response to the pandemic and the war in Ukraine have led to a series of supply chain disruptions, labour shortages, increase in energy prices and ultimately rising costs to produce items and provide services, with the following impacts:

- Inflation remained high throughout 2022/23, rising from 9.0% in April 2022 to a high of 11.1% in October 2022 before easing slightly to 10.1% in March 2023¹.
- Mortgage rates – the rates for 2- and 5-year fix mortgages have risen in response to the Bank of England raising base rates from historically low figures. As inflation remains significantly above the Bank of England target of 2.0%, we cannot rule out further interest rate rises. This particularly impacts those on standard variable rate or tracker mortgages but may also impact those whose fixed term deals are due to end over the coming months.
- Rents – the rental market has been buoyant in Bristol for some time and increases in mortgage rates could lead to landlords increasing rent. This will further restrict properties available to those on lower incomes. The government's intention to introduce the Renters Reform Bill may lead to landlords leaving the private rented sector which may negatively impact on both rents and the availability of rental properties.
- Energy prices - from October 2022 through to Jun 2023, the government has implemented an energy price guarantee to limit increases in domestic fuel charges to counter increased wholesale energy costs.

3.2.2. Business costs have significantly risen over the past year, which presents real challenges as they continue to recover from the pandemic and ensure the resilience of cash-flow in the face of increasing demand conditions. Some assistance has been provided through the Energy Bills Discount Scheme (EBDS)² which runs from April 2023 to April 2024 which replicated the support available to domestic consumers.

3.2.3. While the crisis will affect all households, some groups will be affected more than others. Low-income households are most at risk and will face particular challenges as a result of reduced real term incomes and increased costs. There is increased pressure on household finances and a situation where living standards are being squeezed such that people cannot afford the standard of living to which they are accustomed.

3.2.4. The temporary pause of recovery activity across all income streams from March 2020 had a significant impact on income in both 2020/21 and 2021/22 and continues to be felt in 2022/23 due to the volume of cases requiring collection and recovery activity. The lifting of that pause from late October 2021 saw a resumption in collection activity. This has had a positive impact on income levels as the city and council commence post pandemic recovery but may not be fully realised until the 2023/24 financial year as continued collection and recovery activity drives increased collections.

¹ www.ons.gov.uk/economy/inflationandpriceindices

² www.gov.uk/guidance/energy-bill-relief-scheme-help-for-businesses-and-other-non-domestic-customers

4. Current Position

- 4.1. Debt is an evolving position and as such reports reflect a snapshot at a period in time. Table 1 below shows the overarching level of debt per debt type as of 31 March 2023. This is a cumulative figure and includes arrears that may stretch back across many years.

Table 1: Debt Summary by Debt Type

Type of debt	Outstanding Debt	Percentage
Accounts Receivable ¹	£76,164,212	40.92%
Council Tax	£50,500,986	27.13%
National Non-Domestic Rates (NNDR)	£21,775,018	11.70%
Overpaid Housing Benefit (Debtors)	£10,303,880	5.54%
Overpaid Housing Benefit (Benefits)	£9,567,911	5.14%
Housing (Accounts including Current Rent Arrears) ^{1,2}	£12,636,357	6.79%
Housing (Temporary Accommodation) ^{1,2}	£2,110,982	1.13%
Parking Services (Penalty Charge Notices) ^{1,2,3}	£3,073,530	1.65%
Total	£186,132,877	100.00%⁴

¹ This figure is subject to annual fluctuations as these debt types are billed or invoiced on an 'as required' basis

² These debt types are collected outside of Revenues and Benefits

³ Does not include Clean Air Zone

⁴ Subject to rounding

Accounts Receivable

- 4.2. The total sum outstanding in respect of sundry debt on 31 March 2023 totaled £76.164m (representing 40.92% of the total council debt, see Table 1 above). This contrasts with the brought forward balance of £78.300m as of 31 March 2022 and represents a reduction of 2.73% as of 31 March 2022.
- 4.3. The sum outstanding in respect of arrears brought forward on 01 April 2022 has reduced to £24.331m at 31 March 2023.
- 4.4. Table 2 below compares data at year end (Q4) 2020/21 and subsequent quarters. The total sum outstanding will fluctuate as invoices are raised and / or move through the Dunning process.

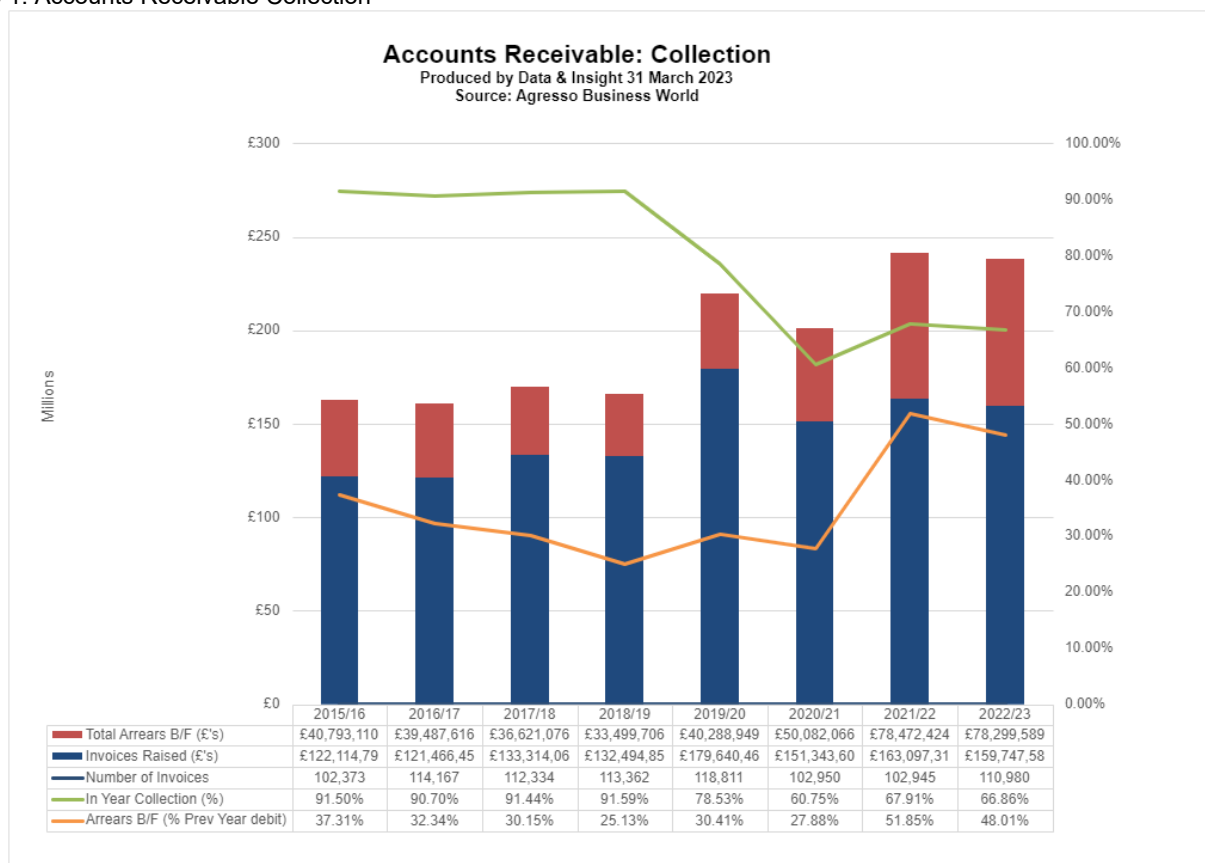
Table 2: Accounts Receivable

Report Date	Up to 90 days	90 to 365 days	Over 1 year	Total Outstanding
31 Mar 2021	£43,862,645	£15,035,819	£19,573,960	£78,472,424
30 Jun 2021	£20,523,236	£12,953,705	£18,081,290	£51,558,231
30 Sep 2021	£14,862,338	£22,846,172	£19,085,940	£56,797,450
31 Dec 2021	£15,909,649	£20,619,594	£20,068,984	£56,598,228
31 Mar 2022	£39,563,980	£17,414,964	£21,320,646	£78,299,589

Report Date	Up to 90 days	90 to 365 days	Over 1 year	Total Outstanding
30 Jun 2022	£28,282,231	£15,587,814	£25,116,989	£68,987,034
30 Sep 2022	£16,599,239	£24,188,877	£21,727,835	£62,515,951
31 Dec 2022	£16,490,933	£25,306,012	£24,295,443	£66,092,387
31 Mar 2023	£30,518,394	£21,286,191	£24,359,627	£76,164,212

- 4.5. It should be noted however that debt levels across all stages fluctuate over time due to the ad hoc nature of invoicing. Year-end figures are higher due to the number of invoices issued during March to ensure income is received in the then current financial year which are not payable until April due to 30-day payment terms.
- 4.6. Over one year old debt has increased by £3.039m, since 31 March 2022 which is replicated in relation to debt between 90 days and one year of £3.871m over the same period, although, as can be seen from the data in Table 2, this is a similar pattern to that in 2021/22, where the total outstanding is reduced at Q1, Q2 and Q3 and then increases again at Q4 where invoices are raised prior to year-end.
- 4.7. Total debt on 31 March each year shows a downward trend.
- 4.8. Whilst all aged debt is pursued it is recognised that once debt reaches one year old it becomes increasingly difficult to collect for a number of reasons including those set out below:
- Data ages and becomes less relevant
 - Prioritisation of other debts by debtors
 - The legitimacy of the debt is questioned by debtors
- 4.9. The Income Collection team is responsible for collecting outstanding amounts of circa £150m per annum and is responsible for post-invoice collection activity. However, there is a reliance on service areas taking some ownership of unpaid invoices issued within their area early in the collection process, from accurate invoicing to reviewing outstanding debt reports and making proactive contact with customers to encourage payment prior to the more formal collection activity commencing.
- 4.10. The level of debt relating to Adult Social Care is a significant component of the total outstanding arrears figure.
- 4.11. There were 110,980 invoices issued for the total sum of £159.748m during 2022/23. This is an increase of 7.81% in the number of invoices issued, but a decrease of 2.05% in the overall value of invoices.
- 4.12. Accounts receivable collection rate trends are shown in Figure 1 overleaf.

Figure 1: Accounts Receivable Collection



4.13. The split of direct debit / non-direct debit payers for is shown in Table 3 below.

Table 3: Direct debit / non-direct debit split

Payment Type	No.	Percentage
Other Payment Methods	13,013	89.96%
Direct Debit	1,452	10.04%
Total	14,465	100.00%

Positives

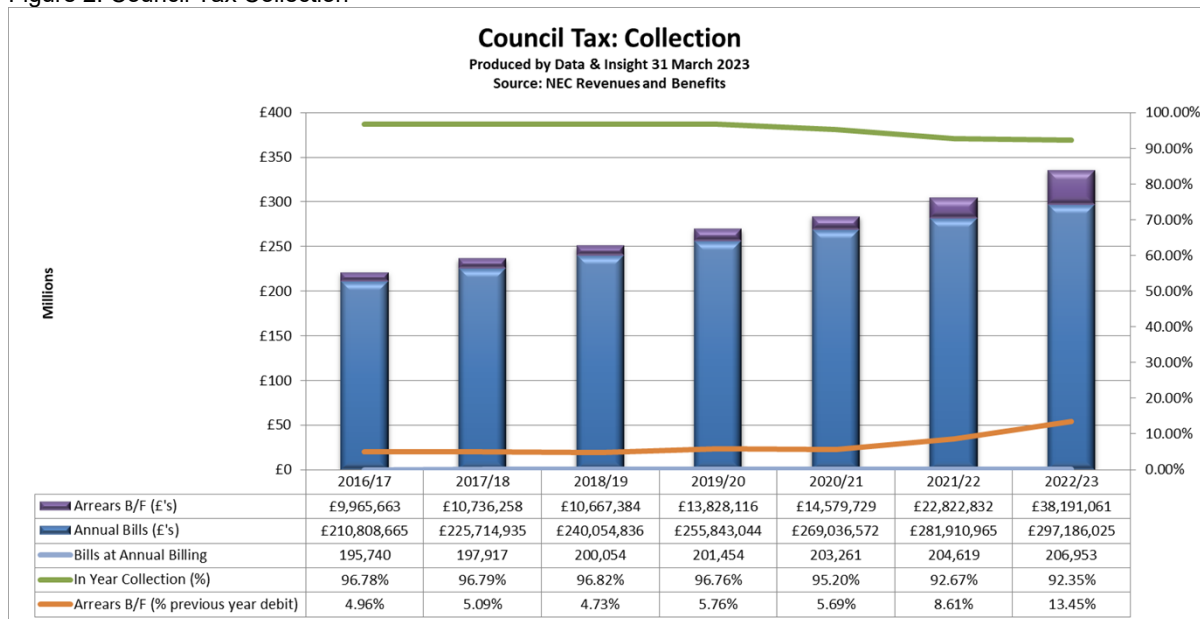
- 4.14. Permanent resource in adult social care is delivering targeted activity which is helping to reduce the level of older debt. This is in line with Care Act guidance which suggests embedding the initial stages of the recovery of care debt within social care teams.
- 4.15. Some centralisation of debt recovery continues to provide a more consistent approach to debt recovery and an increased focus.
- 4.16. Sundry debt reporting is included in the monthly financial monitoring reports by service area and is now available on an as required basis to budget holders.
- 4.17. Engagement with individual service areas is providing focus on unpaid invoices within those areas.

Council Tax

4.18. Council tax debt / arrears on 31 March 2023 totaled £50.501m (representing 27.13% of the total council debt) this is in comparison to £38.191m as of 01 April 2022. Collection rate trends are shown in **Error! Reference source not found.** below. The collection rates prior to 2020/21 are all at pre pandemic levels..

4.19. The sum outstanding in respect of arrears brought forward on 01 April 2022 has reduced to £26.956m at 31 March 2023.

Figure 2: Council Tax Collection



4.20. The split of direct debit / non-direct debit payers for open accounts is shown in Table 4 below.

Table 4: Direct debit / non-direct debit split

Payment Type	No.	Percentage
Other Payment Methods	81,362	38.78%
Direct Debit (inc. Salary Deductions)	128,335	61.22%
Total	209,795	100.00%

4.21. Collection outturn in respect of council tax remained stable prior to 2020/21 when outturn was compromised by the impact of the COVID-19 pandemic. This has resulted in the level of arrears increasing significantly during the fiscal years 2021/21 and 2021/22 as shown by the increase in the arrears brought forward figures. Whilst recovery action has recommenced the volume of cases will likely lead to collection increasing over an extended period.

4.22. Bristol has 62.52% of households (chargeable dwellings) in council tax liability band A and B (19.06% above the national average of 43.46% as of October 2022). Band B is the modal national council tax liability for the low-income population and the households / groups which are considered more likely than average to have taken on more debt or be more indebted since the start of the pandemic.

4.23. The current council tax reduction scheme in place in Bristol allows for 100% reduction in council tax liability, meaning that 17,665 working age households in Bristol (at December 2022) have no council tax liability and, subsequently, those with a liability have either not applied for council tax reduction or have been assessed as being able to pay none or a proportion of their liability.

4.24. In addition, collection is lower than in previous years due to a range of factors:

- Increase in council tax charges of 4.99% in 2021/22 and 2.99% in 2022/23.
- Increase in the number of residents who qualify for discounts and exemptions. Bristol's tax base in 2023/24 is reduced by 24.4% due to the impact of council tax discounts and exemptions, whereas the average reduction across England is 21.2%.
- The reduction in the number of eligible working age council tax reduction claimants

4.25. Additionally, temporarily pausing or reducing recovery or enforcement action for a significant period and inability to get time in court alongside new ways of working affected both in-year collection rates and collection of arrears.

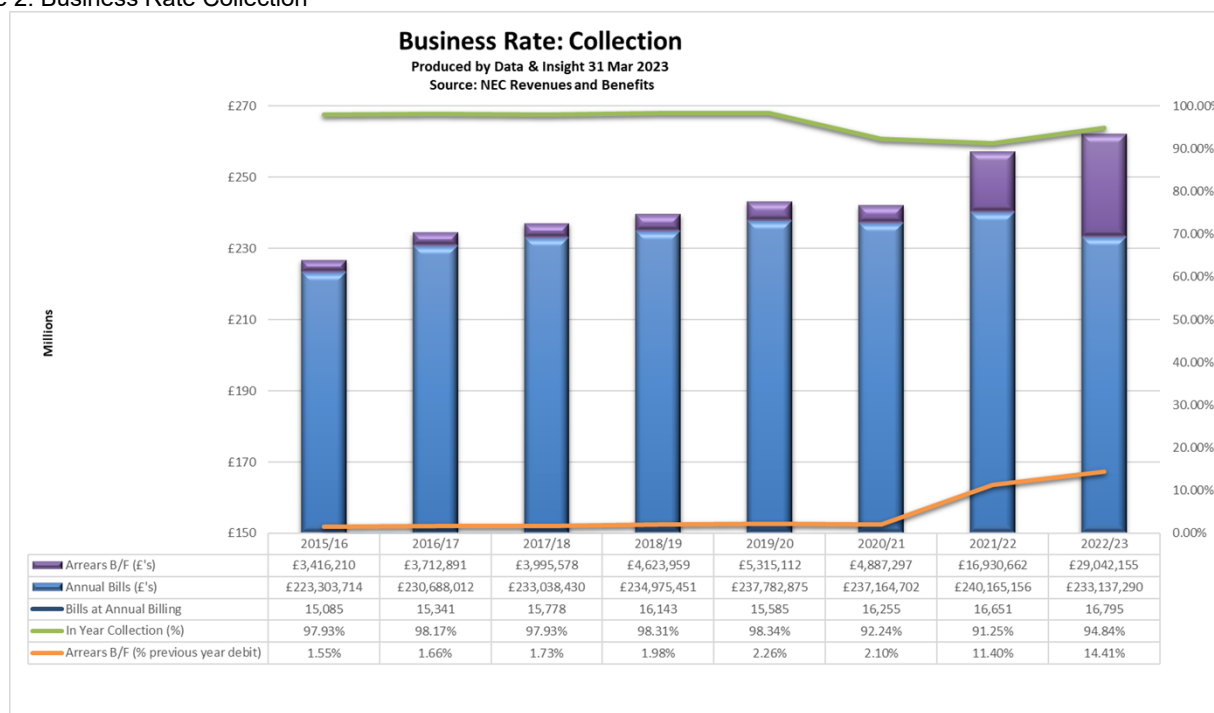
4.26. The collective measures / schemes above have reduced the amount due to be collected and have temporarily resulted in a lower rate of collection.

Non-Domestic Rates (Business Rates)

4.27. Business rates debt / arrears on 31 March 2023 totaled £21.775m (representing 11.70% of the total council debt) this is in comparison to £29.042m as of 01 April 2022. Collection rate trends are shown in Figure 2 below.

4.28. The sum outstanding in respect of arrears brought forward on 01 April 2022 has reduced to £10.598m at 31 March 2023.

Figure 2: Business Rate Collection



4.29. The split of direct debit / non-direct debit payers for open accounts is shown in Table 5 overleaf.

Table 5: Direct debit / non-direct debit split

Payment Type	No.	Percentage
Other Payment Methods	11,274	67.59%
Direct Debit	5,407	32.41%

Payment Type	No.	Percentage
Total	16,681	100.00%

4.30. By the end of March 2023, Bristol had achieved an average in-year collection rate of 94.84%, an increase of 3.59 percentage points over 2021/22. Whilst recovery action has recommenced the volume of cases will likely lead to collection increasing over an extended period.

4.31. Appeals against the Rating List have had a negative impact on collection, with gross rates being reduced by some £11m since April 2022, thereby negatively impacting on year-end business rates income.

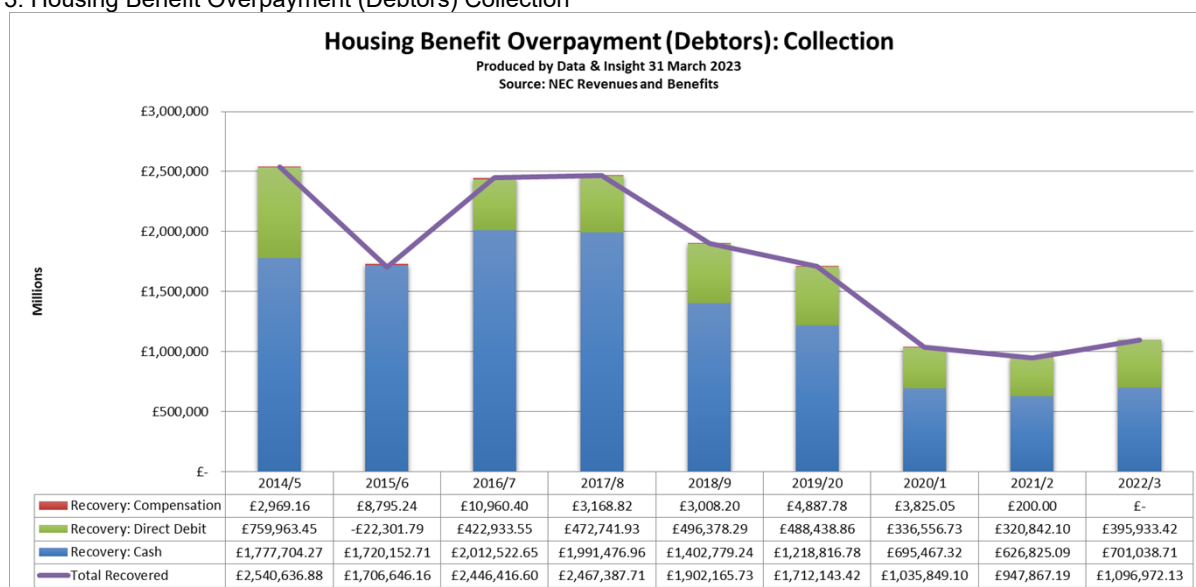
Overpaid Housing Benefit

4.32. Total Housing benefit debt / arrears on 31 March 2023 totaled £19.872m (representing 10.68% of the total council debt), comprising £9.567m (5.14%) in respect of those currently in receipt of Housing Benefit and a further £10.304m (5.54%) in respect of those for which Housing Benefit is no longer in payment. The figure of £19.871m differs from that shown at Figure 4 due to the different year end dates used (31 March and 02 April).

4.33. There were 5,060 invoices issued for the total sum of £5.209m in the fiscal year 2022/23.

4.34. Collection rate trends are shown in Figure 3 below.

Figure 3: Housing Benefit Overpayment (Debtors) Collection



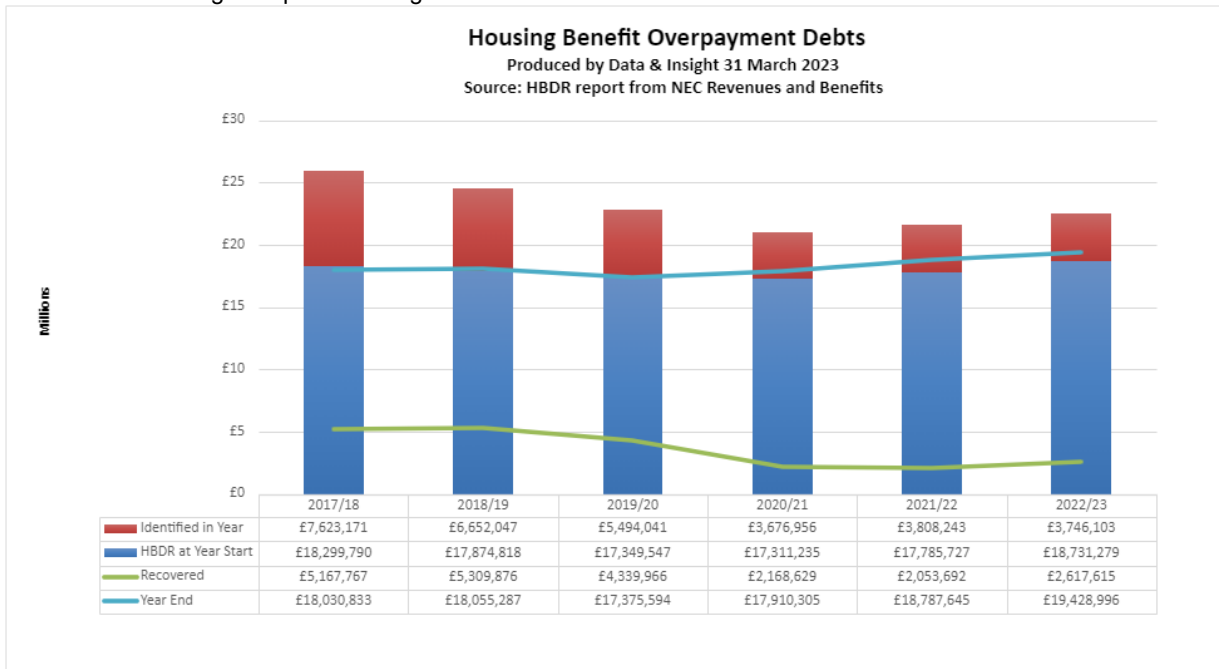
4.35. The split of direct debit / non-direct debit payers for in respect of those no longer in receipt of Housing benefit is shown in Table 6 overleaf.

Table 6: Direct debit / non-direct debit split

Payment Type	No.	Percentage
Other Payment Methods	4,375	76.62%
Direct Debit	1,335	23.38%
Total	5,710	100.00%

Figure 4 shows the figures for overall debt as reported to the Department for Work and Pensions which includes combined collection figures for Housing Benefit Overpayment.

Figure 4: Total Outstanding Overpaid Housing Benefit



- 4.37. As can be seen from Figure 4, the overall level of overpaid housing benefit has remained relatively constant in the range of £18m to £19m at fiscal year-end since 2017.
- 4.38. Collection and recovery activity continues with increased numbers of cases referred to employers for direct earnings attachments or collection agents. Deductions are made from ongoing entitlement for those who remain in receipt of Housing Benefit. Recovery from landlords who have been overpaid also continues.

Housing (Accounts including Current Rent Arrears)

- 4.39. Housing Revenue Account total indebtedness on 31 March 2023 totaled £12.636m (representing 6.79% of the total council debt), as shown in Table 7 overleaf. This amount includes all assets and former accounts but does not include Leasehold debt as these are held in another system which currently is not managed by HRA services and may be captured elsewhere in this report. This is currently £2.1m and is currently in the process of being transferred back to the HRA to manage following the transformation of the Income & Leasehold Service and the creation of a standalone Home Ownership Service.
- 4.40. Of the overall HRA debt, 64% is made up of Standard Current Rent arrears (£8.106m).
- 4.41. There have been reductions in the sums for Standard Current arrears when comparing the figures to the same period in 2021/22.

Table 7: Housing Revenue Account Arrears

	2021/22	2022/23	Difference
Total Arrears	£12,790,310	£12,636,357	-£153,953
Standard Current Arrears	£8,491,080	£8,106,714	-£384,366

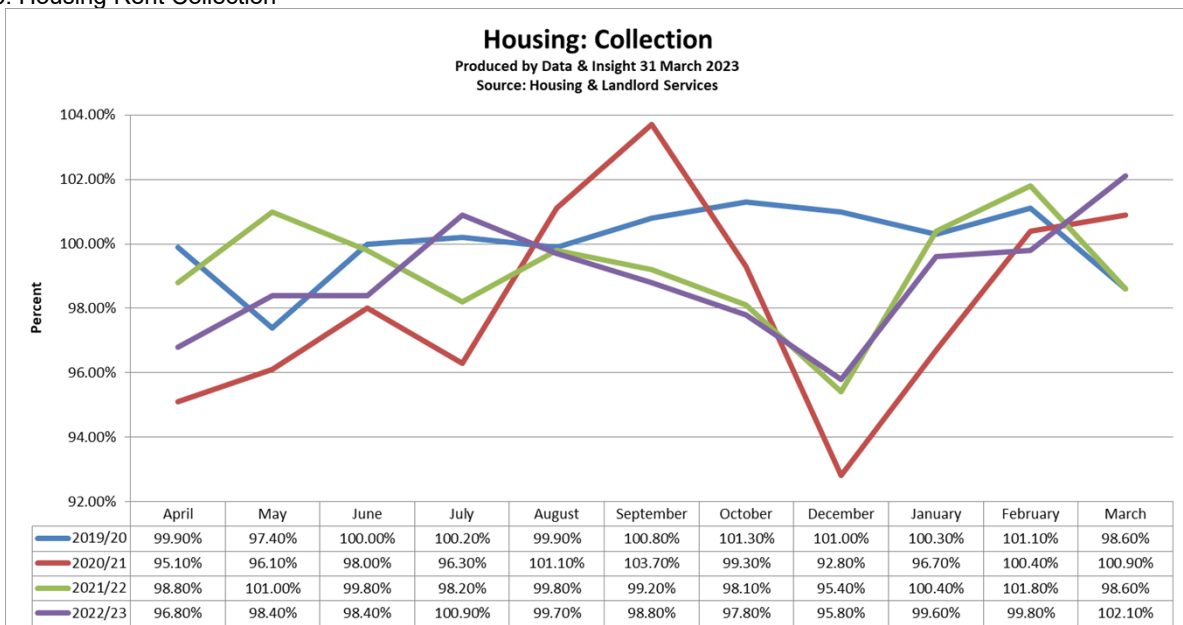
4.42. The Income and Leasehold service started the resumption of enforcement work in March 2022, with the serving of Notices, in line with the corporate debt management policy and in line with internal sign off process. As arrears fluctuate over the course of the year comparative data based on the same period for the previous year shows a reduction. There has been an overall reduction of £0.384m in standard current arrears from April 2022.

4.43. Standard Current arrears are following a similar trajectory to 2020/21 where collection rates were affected due to the COVID-19 pandemic. As a proportion of gross debit standard current arrears sit at 6.5% and we've seen a 1.09% reduction in net debit, this is defined as the total annual charge minus payments received directly for Housing Benefit, Universal Credit APAs and DHP.

4.44. The number of residents owing more than seven weeks rent continues to reduce and currently sits at 12.01%, a reduction of 0.75% since April 2022.

Figure 5 below shows the average collection rates for 2022/23 and previous years. The average collection rate for 2022/23 was 99.3%. Considering the current financial climate and the reduction resources since August 2022 performance has been good.

Figure 5: Housing Rent Collection



4.46. There was a strong end to the year where collection rates in March hit 101.2%. There has been a 4.7% increase in collection rates when compared to April 2022. Collection rates have been affected by the rent increase in 2022/23 and the reduction of Discretionary Housing Payments in previous years.

4.47. Table 8 overleaf shows the aged debt profile of former tenant arrears (17.4%) which are included in the total figure of £12.636m

Table 8: Housing Rent - Former Tenant Debt Age Profile

	Number	Percentage	Value	Percentage
Over six years	14	0.73%	£9,877.53	0.45%
2017/18	13	0.68%	£16,776.75	0.76%
2018/19	118	6.16%	£124,222.46	5.64%

	Number	Percentage	Value	Percentage
2019/20	440	22.96%	£471,132.43	21.40%
2020/21	328	17.12%	£334,585.28	15.20%
2021/22	377	19.68%	£379,018.97	17.21%
2022/23	626	32.67%	£866,113.05	39.34%
Total	1,916	100.00%	£2,201,726.47	100.00%

4.48. The split of direct debit / non-direct debit payments is shown in Table 9 below.

Table 9: Direct debit / non-direct debit split

Payment Type	No.	Percentage
Direct Debit	87,597	25.25%
Other Payment Methods	259,325	74.75%
Total	346,922	100.00%

Housing (Temporary Accommodation)

4.49. Temporary Accommodation debt on 31 March 2023 totaled £2.111m (representing 1.13% of the total council debt), with a further £3.8m in respect of debt outstanding on current client's accounts. Collection rate trends are shown in Figure 6 below.

Figure 6: Housing (Temporary Accommodation) Collection Rates



4.50. Table 10 below details the sums outstanding split by year, noting the sum of £0.25m in respect of current clients is not included.

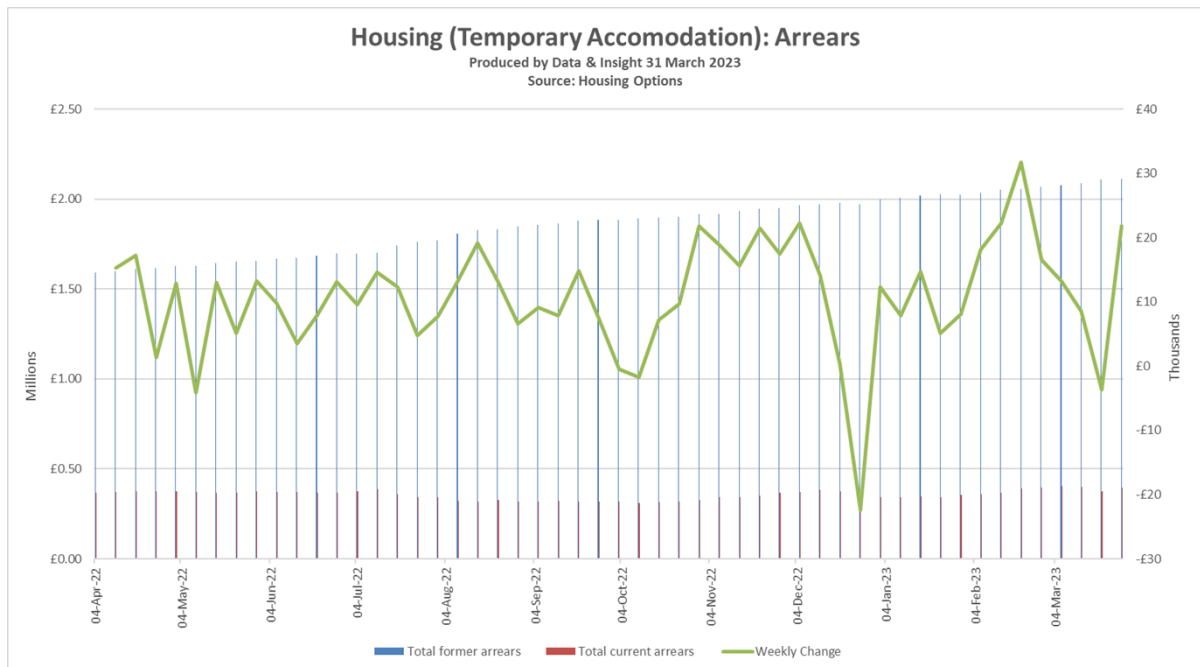
Table 10: Housing (Temporary Accommodation) Arrears

Period	No.	No. (Percentage)	Value	Value (Percentage)
2017/18	1	0.02%	£865.45	0.04%

2018/19	196	2.97%	£61,649.26	3.16%
2019/20	937	14.21%	£272,432.90	13.95%
2020/21	1,721	26.10%	£539,944.38	27.65%
2021/22	2,439	36.99%	£708,316.97	36.28%
2022/23	1,299	19.70%	£369,366.00	18.92%
Total	6,593	100.00%	£1,952,574.96	100.00%

4.51. The split of Temporary Accommodation debt by current and former tenants is shown in Figure 7 below.

Figure 7: Housing (Temporary Accommodation) Debt



Parking Services (Penalty Charge Notices)

4.52. Penalty Charge Notices debt / arrears on 31 March 2023 totaled £3.073m (representing 1.65% of the total council debt).

4.53. Table 11 overleaf shows the number of PCN's issued (excluding the Clean Air Zone), outstanding balances and collection rates.

Table 11: Parking Services Collection Performance (exc. Clean Air Zone)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Parking PCNs	98,097	102,933	97,981	60,655	92,254	99,226
Bus Lane PCNs	51,145	59,587	47,373	78,018	172,020	121,994
Total PCNs Issued	149,242	162,520	145,354	138,673	264,274	221,260

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
No. PCNs Outstanding	28,059	32,119	20,147	34,465	48,265	39,112
No. PCNs Outstanding (%)	18.80%	19.76%	13.86%	24.85%	18.26%	17.68%
Face Value of Debt at Year End ¹	£1,889,991	£2,045,775	£1,542,520	£2,167,770	£3,460,012	£3,073,530
Value of Year End Liability ²	£841,542	£812,727	£549,689	£685,543	£873,644	£859,407
Liability as a % of Debt	44.53%	39.73%	35.64%	31.62%	25.25%	27.96%
Amount Collected in Following Year	£776,263	£841,858	£454,356	£747,833	£959,407	£959,407
Year End Debt (%)	41.07%	41.15%	29.46%	34.50%	27.73%	31.22%

¹ This is the face value of all outstanding PCNs

² This is an assessment of the value of the outstanding debt for any PCNs issued in that year which are expected to be recovered

4.54. The data in Table 11 clearly shows a downward trend in the percentage of debt brought forward over time but an uptick in brought forward arrears in monetary terms. This can be attributed to the temporarily reducing, pausing, or delaying of recovery during 2020/21 and 2021/22.

4.55. The number of PCNs issued varies due to the addition of new sites and increasing compliance over time.

4.56. The percentage of PCNs outstanding at year end is very stable. The figure for 2019/20 is lower than usual because very few PCNs were issued in March 2020 due to the first lockdown in response to the COVID-19 pandemic. PCNs issued in March usually make up a significant proportion of those outstanding at the end of the financial year. The 2020/21 and 2021/22 figures are higher than normal as recovery activities were suspended but it is good to see this figure reducing again at the end of 2022/23.

4.57. The face value of PCNs at year end is a snapshot in time. The increase in volume during 2021/22 was due to enforcement of the closure of Bristol Bridge.

4.58. Without full use of enforcement agents, recovery levels remain lower than in preceding years. However, recovery rates have stabilised following the general disruption from COVID-19 and the liability for 2022/23 was therefore set based on actual recovery rate for 2021/22. This is expected to remain stable in the short term before increasing again once new debt management processes are introduced and full enforcement can be re-commenced.

4.59. The collection figure for 2021/22 has been revised to show the amount collected in 2022/23 as of 01 April 2023.

4.60. The data relating to Parking Services does not include any data relating to the Clean Air Zone (CAZ). A full report on the operation and impact of the CAZ is due to be published in December 2023.

4.61. It is not possible to map PCNs issued (or outstanding) as a large number relate to addresses outside of Bristol City Council's administrative boundary.

5. Ethical Debt

5.1. New initiatives and processes have been put in place under the Ethical Debt project, now more often referred to as Outreach or Debt Support. Cost of living pressures are clearly impacting on people's

ability to pay and we are endeavouring to maximise the support we are able to offer.

- 5.2. The debt support referral service allows customer facing teams across the council to refer those struggling with unmanageable debt, and who often have other non-financial problems, for support, advice and signposting. Bi-monthly debt clinics have been run around the city with invites sent targeting those living in the vicinity of the location where the clinic will be held for those whom our records indicate unmanageable debts exist. Bulk soft letter campaigns continue to be undertaken signposting customers to sources of self-service support and advice.

6. Collection and Recovery – Next Steps

- 6.1. The recovery of collection performance to the levels pre-pandemic may take some time however steps are being taken to engage with customers in line with the Corporate Debt Management Policy and recovery action continues across all debt types.
- 6.1.1. Continue to progress cases through stages as set out in the corporate debt management policy.
 - 6.1.2. Increase use of multi-channel communications to encourage engagement by those in debt to the council and look to enhance these communications through the use of RCS-enabled messaging.
 - 6.1.3. Continue referring cases to collection and enforcement agents where there is no other identified recovery activity available or where those in debt are not engaging.
 - 6.1.4. Maximise use of third sector advice agencies by signposting those suffering from financial difficulty or vulnerability with a view to increasing welfare benefit take up.
 - 6.1.5. Work with colleagues to ensure that bills and invoices are appropriate to both service and customer requirements.
 - 6.1.6. Outreach activities to continue with debt clinics held in community locations across the city to inform and provide assistance to those who are financially vulnerable. Over the coming months the plan is to expand the clinics to other community locations such as food banks.
 - 6.1.7. In association with external partners, continue exploring the possibility of creating a fund to support those carrying troublesome debt and struggling to pay the Insolvency Service fees to secure insolvency solutions, for example Debt Relief Orders.

7. Challenges / Areas for Further Improvement

- 7.1. There is a need to improve the financial system which currently has limited debt collection functionality. Outlined below are some of the improvements being explored:
- 7.1.1. The introduction of new modules, alongside a review of functionality to improve capability and bring improvements to what are sometimes cumbersome administrative processes for both collection and recovery activity and write off.
 - 7.1.2. Decentralisation of bad debt provisions and increased frequency of adjustments.
 - 7.1.3. Standard documentation used within ABW to be reviewed following audit recommendations. Work ongoing with relevant services.

7.1.4. Following an optimisation review a workflow rewrite is to be investigated and new modules considered for implementation to create and deliver business efficiencies.

8. Written Off Debt

- 8.1. The council has both a legal duty and a responsibility to the people of Bristol to ensure effective income management and that the income due to the council is paid promptly to support the delivery of council services.
- 8.2. The corporate debt management policy aims to promote and support proper and equitable debt management processes for all major sources of income owed to the council and to ensure the council both minimises debt and maximises rates of collection. The council must ensure that all collection processes comply with the relevant legislation, and the policy has been written to ensure that in doing so, the council's processes are fair to everyone, and that where recovery action is necessary, the council is consistent in its approach and assists customers who experience financial difficulty.
- 8.3. Write offs in the period 01 April 2022 to 31 March 2023 totaled £8.563m.
- 8.4. Table 12 below details the total number and value of write offs, by debt type, for the 2022/23 fiscal year.

Table 12: Write off by Debt Type

Write Off Description	Value	Percentage	No.	Percentage
Accounts Receivable	£472,940.46	5.52%	1,480	2.74%
Council Tax	£1,419,041.99	16.56%	7,135	13.19%
National Non-Domestic Rates (NNDR)	£1,783,843.11	20.83%	700	1.29%
Overpaid Housing Benefit (total)	£374,364.31	4.37%	2,263	4.18%
Housing (Including former tenant rent Arrears)	£1,121,831.00	13.10%	1,354	2.50%
Housing (Temporary Accommodation)	NIL	0.00%	NIL	0.00%
Penalty Charge Notices	£3,391,047.59	39.60%	41,165	76.09%
TOTAL	£8,563,068.46	100.00%¹	54,097	100.00%¹

¹ Subject to rounding

- 8.5. The data relating to Parking Services (Penalty Charge Notices) does not include any data relating to the Clean Air Zone (CAZ). A full report on the operation and impact of the CAZ is due to be published in December 2023.

9. Policy

Corporate Debt Management Policy, approved 18 January 2022

10. Consultation

- a) **Internal**
Monitoring information reported to impacted service areas
- b) **External**
None

11. Public Sector Equality Duties

11.1. Before making a decision, section 149 of the Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:

- i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
- ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to -
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities)
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low
 - foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to tackle prejudice; and promote understanding

There is no requirement for an EqlA as this report is only providing a position statement.

Appendices

1. Exempt Financial Information

Local Government (Access to information) Act 1985

Background Papers:

- Background Paper 1: Care Act 2014: Care and support statutory guidance Annex D – Debt Recovery (see www.gov.uk/government/publications/care-act-statutory-guidance/care-and-support-statutory-guidance#AnnexD)

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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