

Auditor's Annual Report on Bristol City Council

Interim Report
2020-21

June 2022



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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.



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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

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to 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.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 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 work has not identified any significant weaknesses in the Council's arrangements. Our findings are summarised in the table below.

This review is based on arrangements within the Council for 2020/21.

Further detail on the risks identified at our planning stage can be found at Appendix B. In summary, at the planning stage we communicated that we would be undertaking work to explore two risks of significant weakness in the Council's arrangements. The body of this report covers the work we performed against these risks, as well as against the broader requirements of the Code. It is pleasing to report that, for the reasons set out in the Appendix B, we did not conclude there to be any significant weaknesses in the Council's arrangements for Value for Money in 2020/21.

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weakness identified in planning	No significant weaknesses in arrangements identified and two improvement recommendations made
Governance	Yes – two risks of significant weakness identified in planning	No significant weaknesses in arrangements identified and four improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weakness identified in planning	No significant weaknesses in arrangements identified, but seven improvement recommendations made

	No significant weaknesses in arrangements identified or improvement recommendations made.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weaknesses in arrangements identified and improvement recommendations made.



Financial sustainability

The Council had robust arrangements in place for delivering financial sustainability in 2020/21 and achieved a surplus of £19.7m for 2020/21, after taking into account the cost of COVID-19 pressures of £74.7m.

Overall we are satisfied that the Council had appropriate arrangements in place to manage the risks it faced in respect of financial resilience. We have not identified any risks of significant weakness but have identified two improvement recommendations. These reflect the importance of developing and agreeing a mitigation plan with the Schools Forum to address the increasing Dedicated Schools Grant deficit and the need to identify recurring savings for 2022/23. Our findings are set out in further detail on pages 6 to 11.



Governance

We have not identified any risks of significant weaknesses in the Council's governance arrangements for ensuring that it made informed decisions and properly managed its risks. We have identified four improvement recommendations, relating to managing its capital projects and, more specifically, the Council underestimated the complexity and difficulty of the redevelopment of the Bristol Beacon and did not have effective arrangements in place throughout 2020/21 but took steps in 2020/21 to address the situation. The Council should learn from the Bristol Beacon project and ensure all capital projects have effective and rigorous project management arrangements in place. In addition the Council should continue to ensure realistic capital budgets are set so that the level of slippage is reduced. Our findings are set out in further detail on pages 12 to 22.



Improving economy, efficiency and effectiveness

We have not identified any risks of significant weaknesses but we have identified seven improvement recommendations. These are in relation to introducing more timely performance monitoring to Cabinet, oversight of progress on the Joint Local Area SEND Inspection, continued active monitoring of the Adult Social Care Transformation Programme, extending the use of benchmarking, including the Council's strategic objective within its partnership register, developing a procurement strategy and continuing to scrutinise and act to reduce the levels of contract breaches. Our findings are set out in further detail on pages 23 to 33.

Opinion on the financial statements

To be completed following the completion of the audit of the financial statements.



Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The 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:



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 each of these three areas, as well as the impact of COVID-19, is set out on pages six to 34 Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

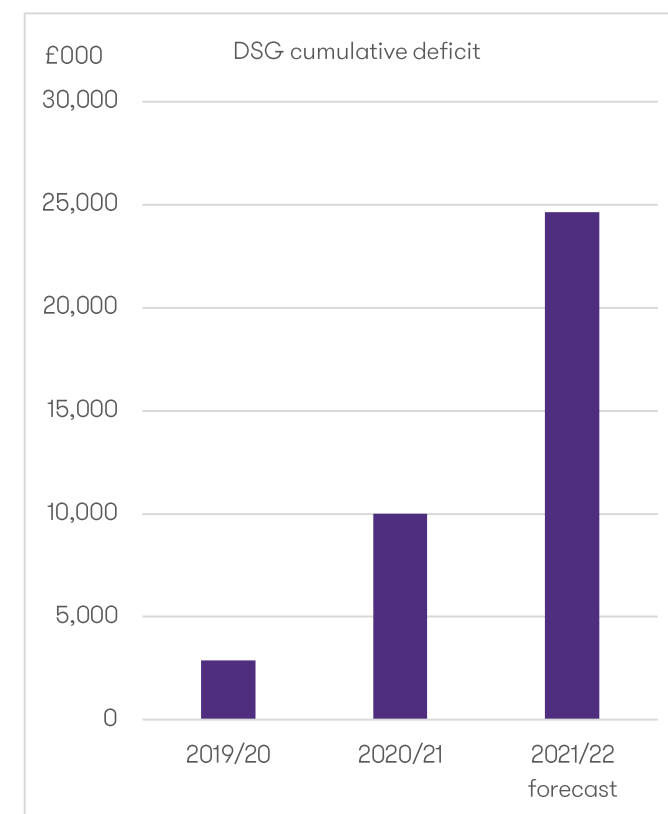
Identifying and addressing financial pressures

The Council achieved a surplus of £19.7m for 2020/21, after taking into account the cost of COVID-19 pressures of £74.7m. The COVID-19 pressures were covered by receipt of additional funding from a range of different funding schemes, with a balance of £8.1m carried forward to 2021/22.

The Housing Revenue Account (HRA) reported a surplus of £10.9m and was transferred to the HRA reserves. This underspend was as a result of a number of underspends, such as salaries, responsive repairs and an increase in rental income. However, the largest contributor to this underspend was as a result of delays in new homes schemes due to COVID-19.

The Dedicated Schools Grant (DSG) is a ring fenced budget which is allocated in four blocks; schools, early years, high needs and central school services. The DSG was overspent by £7.1m, taking the cumulative deficit to £10.004m. This deficit is attributable to the high needs block and an increase in Education, Health and Care Plans and top-up payments being made to schools.

The DSG deficit, as predicted has continued to increase and forecast to increase to £24.6m by the end of 2021/22, as illustrated opposite. It should be noted that the DSG deficit contains surplus balances which may not be retained for the high needs block deficit, such as early years.



Financial sustainability

Identifying and addressing financial pressures continued

Councils with a DSG deficit are required by the Department for Education to develop and agree a DSG deficit management plan with the Council's Schools Forum. The deficit management plan is not a savings plan, but an evolving plan that should enable the Schools Forum and the Council to develop evidenced based strategic plans. The plans should enable them to understand the challenges faced and form the basis for addressing the challenges going forward. It is recognised by the Education and Skills Funding Agency (ESFA) that it will take a number of years to reduce demand.

Limited progress was made in 2020/21 to address the DSG escalating costs and increasing deficit. However, in 2021/22 Bristol's deficit management plan was reviewed for the first time by the Schools Forum in June 2021, with updates being provided in November 2021 and March 2022. The deficit management plan is the beginning of the Council's and the Schools Forum's approach to try and achieve a sustainable position for the high needs block and will require a number of years to achieve. The key aim is financial sustainability within annual funding allocations and effective practice, it is unlikely that the historical backlog can be addressed in the short term. As reported to the March 2022 Schools Forum the unmitigated deficit is forecast to be £88.5m by 2025/26, after taking into account the ESFA additional funding of £2.69m awarded for 2022/23.

Two task and finish groups for the Schools Forum have been established, for the high needs and the early years blocks. The task and finish groups should enable joint ownership and assist in progressing actions. In addition the Council has carried out a deep drive to understand the cause of this increased demand and costs pressure and has been accepted as part of the DfE Delivering Better Value in SEND Programme and Bristol is in tranche 2 due to commence Autumn 2022. It is hoped that this initiative should offer solutions to managing the existing pressures.

No extension has been announced for the Statutory Override by the Department for Levelling Up, Housing and Communities (DLUHC) and therefore the current assumption is that the override will still run out at the end of 2022-23 and as such the DSG deficit and increasing cost pressures will be a significant financial pressure on the Council. We therefore have made an improvement recommendation that the Council and the Schools Forum should continue to work together to develop a clear mitigation plan which addresses the DSG high needs overspend.

The Medium-Term Financial Plan (MTFP) and Capital Strategy were approved by Cabinet in October 2020 and Full Council in November 2020 and both are reviewed and updated on an annual cycle. The MTFP is based on the previous year's budget and was updated taking into account the previous year's outturn and any changes in service provision.

The MTFP (2021/22) reported a revenue funding gap of £19.2m over the next 5 years.

The MTFP was based on a range of assumptions which were updated for the budget as more information became available. The budget was based upon the following assumptions, which in our view are reasonable based on the amount of uncertainty faced by the sector:

- Council Tax increase of 4.99% (including 1.99% for general purposes and 3% Adult Social Care Precept)
- A decrease of £3.1m in the amount of business rates income receivable
- A Pay rise for all employees earning below £24,000 median salary, and final pay award to all remaining is subject to agreement with trade unions
- Centrally held general inflationary provision for supplies and services budgets, e.g. essential utilities such as gas, electricity and water, external insurance premiums and business rates payable by us
- General inflationary increase of 2% on fees and charges
- Specific inflationary increases in Private Finance Initiative (PFI) unitary charges based on contractual terms and conditions
- Specific inflationary increases as set out in other (non-PFI) long-term contracts
- Unallocated general reserve will be retained between 5%- 6% of the net revenue budget at each budget setting period.

Identifying and addressing financial pressures

Delivery of the Council's savings plans remain a challenge as a result of the economic and operating conditions resulting from COVID-19. In 2020/21 the Council had a savings target of £15.703m and only delivered £4.141m on a recurrent basis, with the remaining £11.562m being achieved from one-off events.

The table below illustrates the savings delivered in 2020/21, with only 26% being delivered on a recurrent basis, a deterioration from 2019/20 when 60% of the Council's planned savings were delivered on a recurrent basis. Within the People Directorate both the Adults Social Care Service and the Children's and Families Service were significantly affected by COVID-19 and the overspends as well as the shortfall in savings delivery were met by one-off COVID-19 funding.

Directorate	Target 2020/21 £m	Recurring savings delivered £m	Percentage delivered recurrent	Savings delivered One-off basis £m	Percentage delivered Non-recurrent
People	8.895	0.813	9%	8.082	91%
Resources and cross cutting	3.416	1.968	58%	1.448	42%
Growth and Regeneration	3.392	1.360	40%	2.032	60%
Total	15.703	4.141	26%	11.562	74%

Throughout 2020/21 the Council had robust arrangements in place to agree and monitor the savings programme. The Programme Management Office (PMO) was responsible for monitoring and recording progress against each savings plan. Savings that the Directorates considered to have been delivered were agreed and signed off by Finance, HR, the budget holder and the Directorate, and it was only at this stage that the savings were recorded as secured and delivered. Where savings could not be delivered as planned and alternative savings were identified, a change request was required. If a non-recurrent solution was found, the saving was also carried forward to 2021/22. Savings plans are produced for all savings, for those over £250k then the plan was agreed by the Delivery Executive and those below £250k are agreed by the Executive Director. In March 2021 the threshold was reduced to £150k.

The PMO provide monthly savings monitoring reports which are firstly reported to the Executive Director Meetings, Corporate Leadership Board and then the Delivery Executive.

The Delivery Executive is chaired by the Deputy Mayor with responsibility for City Economy, Finance and Performance. The Delivery Executive received monthly progress reports on planned savings, those savings at risk and lessons learnt at the year end.

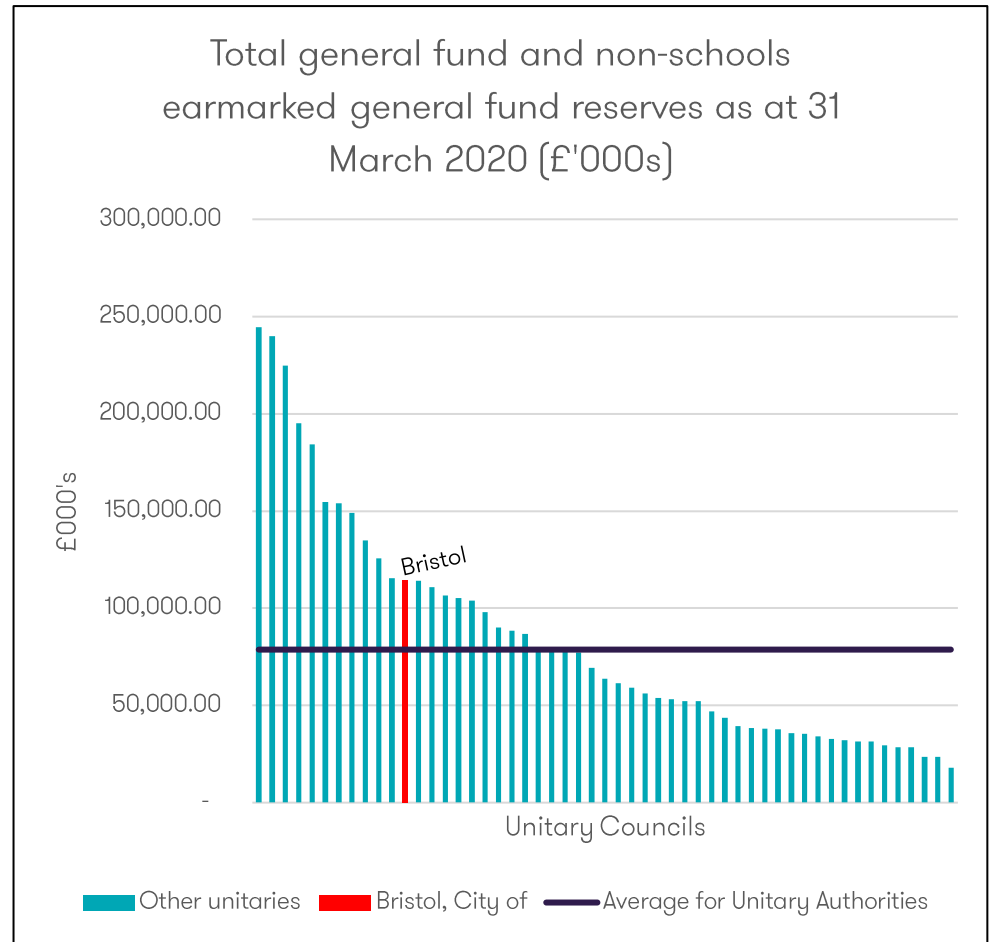
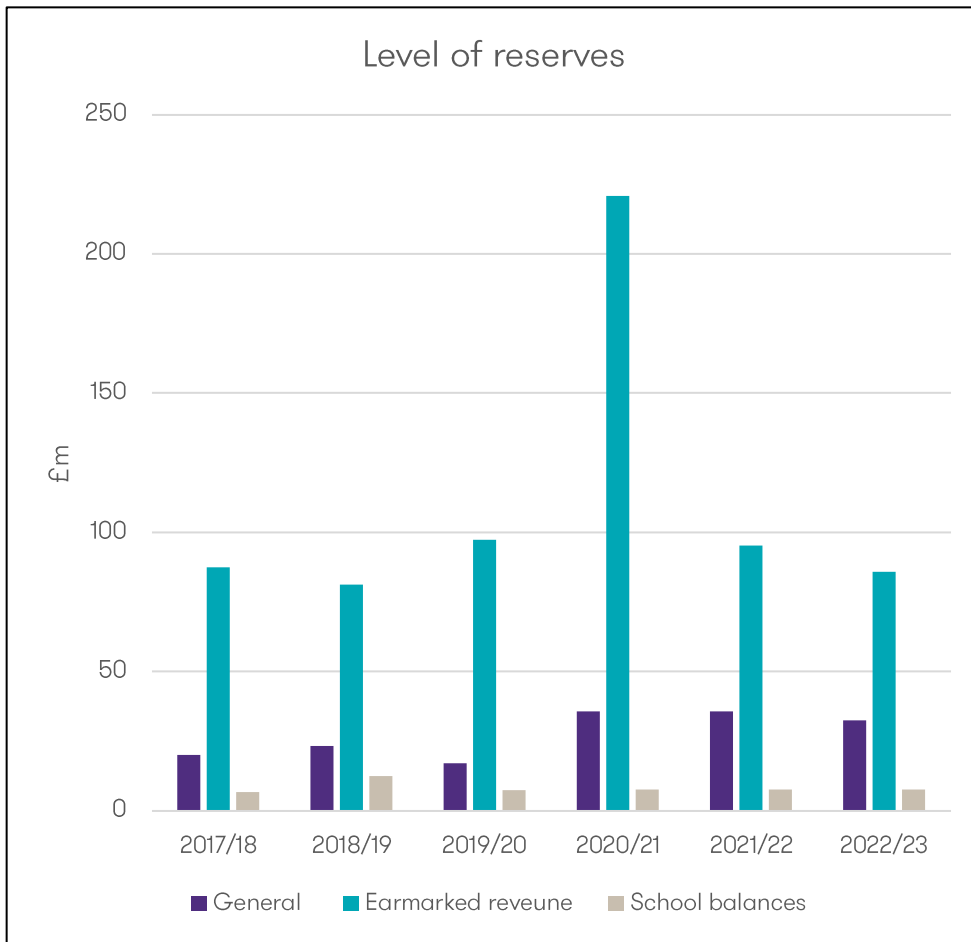
In 2021/22 the Council has a savings delivery target of £11.7m, this includes £7.4m of savings agreed for 2021/22 and £4.3m of savings carried forward from previous years. As part of the 2021/22 budget setting process it became evident to the Council that some of the previously approved legacy and pipeline savings in the recurrent base budget could no longer be delivered and £7.3m in savings was removed. As a result alternative delivery plans and funding sources were identified to the value of £4.3m. Delivering the planned savings remains a challenge for the Council, however, as at period nine the Council reported an improved position compared to 2020/21 with 57% of its planned savings being safe on a recurrent basis.

Whilst COVID-19 has increased the challenge faced by the Council, specifically the People Directorate, the Council needs to consider how arrangements could be improved further to increase the amount of recurrent savings which can be delivered. As a result we have identified the following improvement recommendation - 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.

Managing financial resilience

Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer of the authority must report to the Council on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Council does not have a stand alone section 25 report but includes the statements within the Council's budget report. The budget report includes a summary of the risks and a checklist of the robustness of any estimates. Work is also underway with a member's task and finish group to consider how MTFP and budget information could be improved and made more accessible.

The general fund reserve is to cover uncertainties in future years' budgets, whereas earmarked reserves are set aside for specific purposes. The Council's general reserve policy requires that general reserve are maintained at a minimum level of between 5% and 6% of the Council's net revenue budget. At the close of 2020/21 as a result of the surplus outturn driven by additional funding the balance was £35.7m, 9.5% of the Council's net budget. The increase in reserves, including earmarked reserves as illustrated on the following page is primarily attributable to COVID-19 related funding received in 2020/21 but required for use in 2021/22. £83m of this grant is for the business rates relief for retail hospitality and leisure which will be directly required to offset losses in the collection fund carried forward into 2021/22. In addition to the general reserves the Council also holds a resilience reserve, which is held to temporarily mitigate the uncertainty over local government funding reforms and potential reduction in future Council funding. As at the end of 2020/21 this reserve was £4m with a further £2m planned to be added in 2021/22. We consider that these levels of reserves are sufficient to maintain financial sustainability.



The 2021/22 reserves figures are based on pre-outturn figures and 2022/23 are budget forecast figures.

Auditor Judgment

Our work has identified that despite the uncertainty regarding funding, the Council had robust arrangements in place for delivering financial sustainability in 2020/21.

Improvement recommendations

Financial sustainability

1 Recommendation 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.

Auditor judgement If a sustainable financial is not achieved for the DSG budget the increasing costs and deficit could have an impact on the Council's overall financial sustainability.

Summary findings The DSG budget was overspent by £7.1m, taking the cumulative deficit to £10.004m. This deficit is attributable to the high needs block and an increase in Education, Health and Care Plans and top-up payments being made to schools.
The DSG deficit is forecast to increase to £24.6m by the end of 2021/22, and will continue to increase if mitigating action is not agreed and acted upon.

Management comment The DSG 21-22 outturn position resulted in a final overall in-year deficit position of £14.647m and a cumulative deficit position of £24.650m. A separate, more detailed High Needs Block Recovery Plan is in development, which details the key mitigations required to achieve a sustainable position. The actions will sit alongside the DSG Deficit Management Plan and will be agreed with Bristol Schools Forum. EQiAs are being completed and public consultations will commence where required. Bristol has accepted the DfE's offer to engage in the 'Delivering Better Value in SEND' Programme - diagnostic analysis will inform a further actions and access to funding from the DfE to support an 18 month programme aimed at bringing spend in line with budget.

Responsible Officer - Director; Education & Skills

Target completion date - Q4 2022/23 following consultation from Autumn 2022



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

Improvement recommendations

Financial sustainability

2 Recommendation	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.
Auditor judgement	The inability to deliver planned recurrent savings increases the resources required by officers to deliver alternative recurrent savings or one-off non-recurrent savings. Earlier consideration of savings may reduce the reliance on non-recurrent measures.
Summary findings	<p>The Council continues to be unable to deliver a high proportion of planned recurrent savings.</p> <p>With only £4.141m (26%) being delivered on a recurrent basis against a target of £15.703m, with the remaining £11.562m being achieved from one-off events.</p> <p>Whilst this under delivery can be attributed to COVID-19, the Council has a track record of not delivering a high proportion of recurrent savings with 60% of the Council's planned savings delivered on a recurrent basis in 2019/20.</p>
Management comment	<p>The Council has experienced a period of sustained increase in demand resulting from current global market factors (such as supply chain and fuel shortages) and for some of the services provided for the most vulnerable members of the community (as a result of COVID-19 and subsequent economic impact), particularly within adult and children's social care. Following the announcement of government grant allocations and estimates of the Council's funding, a significant challenge remained in the Council budgets.</p> <p>The Council identified six key areas for service reviews:</p> <ul style="list-style-type: none"> • Property and capital • Be more business-like and secure more external resource • Improving efficiencies • Digital transformation • Reducing the need for direct services • Redesigning, reducing, or stopping services. <p>Savings, efficiencies and income generation opportunities in the region of £34.3 million, subject to final due diligence, optimism bias, engagement, impact assessment and consultation has been identified over the medium term.</p> <p>The development of detailed plans and activity is being closely monitored by EDM, CLB and Delivery Executive and details will be included in the quarterly Finance reports to Cabinet. In addition work has commenced early in 2022/23 to refresh the MTFP model assumptions and identify any new emerging pressures which may need to be addressed for 2023/24.</p> <p>Responsible Officer – Director: Finance Target completion date - Q1: 2022/23</p>

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

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Risk management

The Council has a risk management policy that was approved by Cabinet in 2018. 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 and received an annual report for 2020/21 in September 2021.

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.

Internal Audit conducted a review of risk management processes in 2020/21. However, internal audit provided a 'Limited Assurance' opinion regarding progress in the embedding of risk management processes and the current adequacy and effectiveness of the Council's risk management system. Whilst they noted the good progress that had been made over the past 12 months to build a strong foundation for risk management, it was felt that the current governance of risks management was not clearly understood and inconsistencies were evident in the use of the current risk management tools. An action plan has been agreed to address the issues identified and as a result we have not identified any improvement recommendation within this report. Whilst we recognise that improvements are required, we consider that adequate arrangements were in place we do not consider the Council's risk management arrangements to be a significant weakness.

There is a good internal audit function operating at the Council provided internally and although the service experienced challenges as a result of COVID-19, 94% of the planned work was completed in 2020/21.

A "Reasonable Assurance" opinion was given on systems of internal control, governance and risk management were adequate and operating effectively. This improved opinion reflected the progress made by the Council in addressing some of the outstanding audit issues that had remained unresolved for a number of years but also acknowledged that there were some areas that still required improvement. A counter fraud service has also been delivered during the year.

Regular updates were provided on both services to the Audit Committee during the year.

Budget setting, control and monitoring - revenue

The 2021/22 budget setting process began in July 2020 and was agreed by Full Council in February 2021. The budget had previously been discussed with Cabinet on a number of occasions at Cabinet Board meetings (non-public meetings) and formally at Cabinet in January 2021. These Cabinet meetings enabled Cabinet to understand the financial pressures. In addition, the budget was reviewed and challenged by the Council's Resources Scrutiny Task and Finish Budget Group and a supporting report was provided to Full Council. The budget included agreement of the net revenue budget of £424.1m and the capital budget for 2021/22 - 2025/26.

Budget setting, control and monitoring – revenue continued

The 2020/21 budget setting process also included consideration of the key strategic risks and the likely financial impact on the Council should they be realised in the medium term.

Scenario testing was used to model the impact of COVID-19 and in addition the MTFP (2021/22) also scenario/stress tested reserves, the assumptions both for funding and cost perspectives. This led to different internal mitigation requirements and quantified the impact of any changes in standard key planning assumptions for any given year, such as pay awards. We have been informed that the 2022/23 MTFP expanded on these arrangements and more extensive scenario testing was undertaken and reported. We will review the 2022/23 MTFP in our 2021/22 review of Value for Money arrangements.

The Treasury management strategy was agreed along with the budget in February 2021. Updates and an annual treasury management report were presented to Audit Committee during the year.

The Finance Business Partners are responsible for liaising with and supporting budget holders. The Council had a monthly monitoring process in place. The Council's financial system had a soft closedown and a hard closedown. After the soft closedown, the financial position was reported to the Executive Director and to the Executive Director Meetings, with the focus on the areas of concern. The system then opened to enable budget holders to submit their forecast yearend position. At this stage meetings may have been held with the budget holders to enable them to accurately forecast their yearend position.

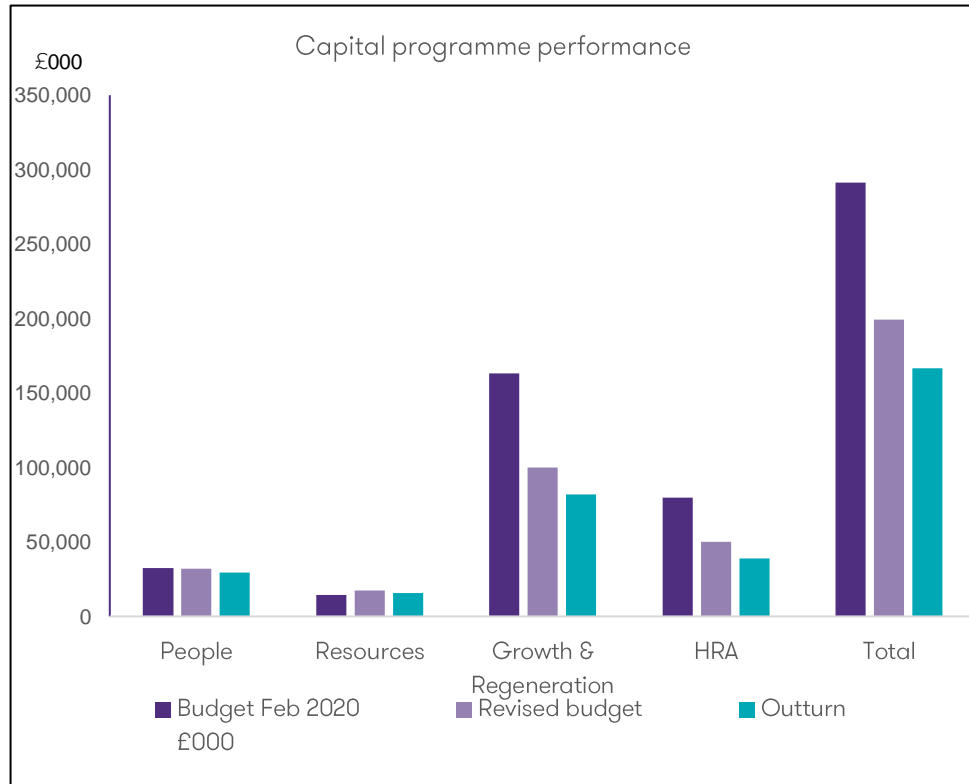
Budget reports are then generated after this stage and will be reviewed again at the Executive Director Meetings before summary reports are issued to Cabinet. In 2020/21 Cabinet budget monitoring reports which included revenue, capital and savings performance were reviewed by Cabinet at month 1, 2, 3, 5, 6, 7, 8, 9, 10 and 12 (outturn). Month one was additional reporting introduced due to COVID-19. These financial monitoring reports presented to Cabinet demonstrate that in year forecast variances are being picked up promptly and budget holders are held to account for delivering their budget or developing mitigating action.



Budget setting, control and monitoring - capital

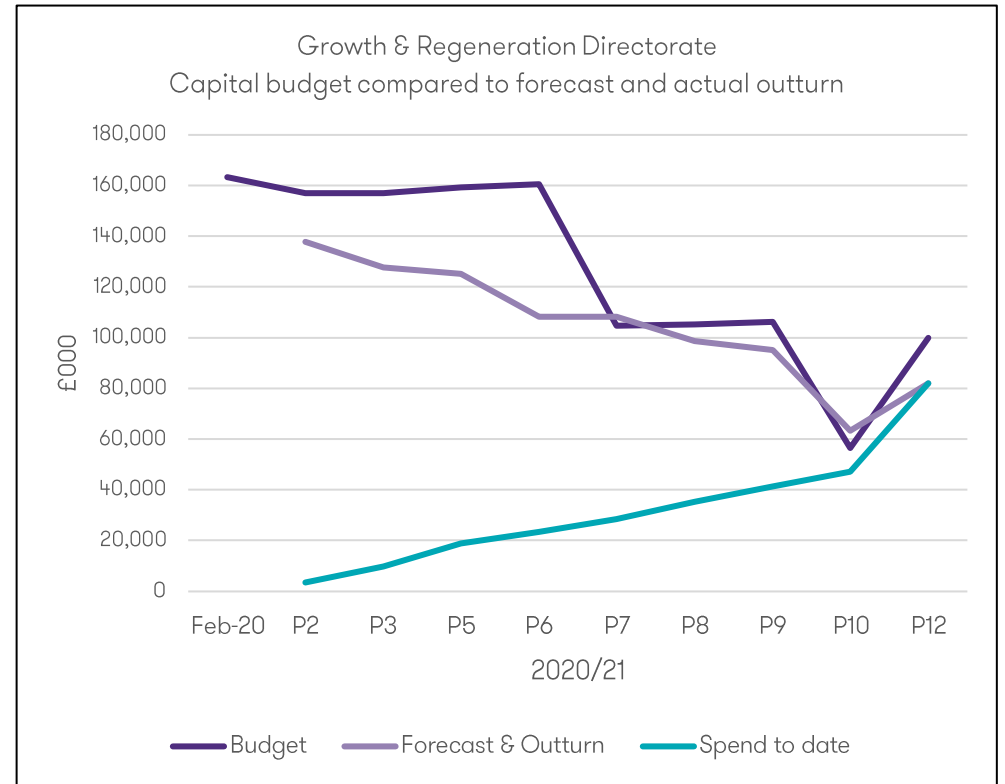
The capital strategy for 2020/21 was agreed by Full Council in December 2019 along with the MTFP. The capital budget of £291m was agreed by Full Council in February 2020. As part of the budget setting process Cabinet considered and prioritised capital spend to ensure there were sufficient resources and to ensure the Council remained within its agreed policy of maintaining borrowing below 10% of net revenue budget.

Throughout the year the Council have amended the budget and reflected slippage as it has been reported. This practice has resulted in the revised budget. The Council delivered £123m of its capital programme, 43% of its original budget. However, whilst performance was in line with budget for the People and Resources Directorates, the Growth and Regeneration Directorate only delivered 50% of its planned budget and the Housing Revenue Account (HRA) 49%. As illustrated below these two areas have the largest capital budgets.



As part of our review we also considered when the capital expenditure occurred during the year and established that the majority of expenditure happened in the final quarter of the year. Whilst you might expect this for small one year projects, we would not expect this to be as pronounced in projects that spanned over a number of years. Officers were able to suggest some explanations as to why this might be the case, and one explanation might be the reaction to significant slippage within the budgets and a push to pay invoices before the year end.

The chart below looks at how the budget was revised during the year, how the forecast assumed a significant level of optimism and that the level of expenditure increased towards the year end. The Growth and Regeneration Directorate incurred 57% of its capital spend in the last quarter of the year. We consider that it would be beneficial for the Council to better understand why the majority of capital expenditure occurs in the final quarter of the year to ensure payment practices are appropriate.



Budget setting, control and monitoring – capital continued

The Capital Programme is managed and monitored through the Capital and Investment Board (CIB). The CIB met monthly and was responsible for ensuring the Capital Strategy was consistent with Council priorities, Medium Term Financial Plan and Treasury Management Strategy. CIB reviewed monthly monitoring reports and also focused on capital items identified as over or under budget and would receive individual reports on specific projects as required.

The Delivery Executive membership includes:

- Deputy Mayor with responsibility for City Economy, Finance & Performance – chair
- Chief Executive
- Monitoring Officer
- Director of Finance.

The Delivery Executive met fortnightly and received regular updates on the capital programme and exception reports on individual capital projects. A Delivery Executive call in process was established in 2020/21 to challenge and support capital project delivery as well as establishing more realistic delivery profiles which takes appropriate account of optimism bias. Improved reporting arrangements have also been introduced within the Growth and Regeneration Directorate, with a monthly review of progress against plan and monthly highlight reports for individual capital projects.

Performance against the capital budget was reported on eight occasions to Cabinet, who received summary narrative within the supporting report and performance against each project and overall Directorate performance within a capital appendices. Performance was RAG rated against the revised capital budget of £199.4m.

Significant individual capital projects have project boards which are responsible for overseeing and keeping the project on track and escalating issues as required. We have considered the project board arrangements for Bristol Beacon, see pages 16 and 17 and the Council's third household recycling centre. However, we understand that a project board was not convened for the Cattle Market Road development.

The project board for the third household recycling centre was held monthly throughout 2020/21 and on occasions twice in one month. Risk registers were reviewed and highlight reports prepared and discussed. The project highlight reports were consistent throughout the year but differed from those prepared for the Bristol Beacon project. The majority of project board meetings were attended by the Director of Economy of Place. We note that the project highlight reports did not clearly identify if the project was on time and budget. In March 2021 the project was called-in by the Delivery Executive and an exception report was provided and reviewed.

The Council's third household recycling centre was called-in by the Delivery Executive because it was below budget. Whilst this project was performing in line with the majority of the Council's capital projects and was significantly below budget our review established that the call-in arrangements for the Delivery Executive operated as planned.

In our 2019/20 VfM review we raised the following recommendation - *the Council should evaluate and consider how it sets its capital budget to enable it to set more realistic budgets doing forward. The Council's growth and regeneration plans should be updated to reflect the slippage in capital plans.*

The Council recognised that it required capacity and expertise to effectively manage its capital programme and in February 2021 it appointed a strategic partner for capital projects – Arcadis. The aim of this strategic partner is to provide additional capacity and capability to support capital programme delivery and improve overall governance of capital projects from 2021/22.

2021/22 improvements

The Council has made changes to its capital budget setting process in 2021/22 and as part of the 2022/23 budget setting process four workshops were held to prioritise and rank the capital programme.

This process did not identify any capital schemes that could be removed, but has resulted in some schemes being rephased and rescheduled and thereby providing funds for maintenance and reducing the exposure on the general fund. In addition £60m of the capital programme has been allocated into future years, as far as 2025/26.

The Council has also made changes to how it sets the capital budgets and has established a feasibility fund of £2.5m. This fund will be used to further develop and assess possible capital projects at mandate / concept stage, in order to provide more accurate cost estimates / profile and or outline business case. Only after agreement of the proposals will the project be fully entered into the capital programme with cost and profiles refreshed. Thereafter the project funds will be used to prepare a full business case. These new arrangements should provide greater cost certainty and as such should enable more realistic budgets to be set and profiles across the life of the project.

These new governance arrangements will need some time to be effectively embedded and we anticipate would have the greatest impact on 2022/23. As the Council has begun to address the weaknesses within its capital budget setting and monitoring arrangements we do not consider there to be a significant weakness in arrangements, but that the Council should continue to ensure realistic budgets are set so that the level of slippage is reduced.

Bristol Beacon

Bristol Beacon (formerly know as the Colston Hall) is a city centre live music/entertainment venue. 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 Council identified funds and agreed the redevelopment of the Bristol Beacon. 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 and to £106.9m in March 2021.

At the start of the project a project board was established to monitor and escalate any issues and included representatives from BMT, the Arts Council England, third party cost consultants and project support, plus a range of Council representatives. Regular attendees from the Council were the project manager, the Director of Economy and Place and the Head of Major Projects.

Below the formal project board operational meetings were also held, these were not formally minuted and included a range of internal meetings as well as meetings between Council officers and other parties such as the contractor, BMT and other third parties. These meetings addressed the inherent governance and operational issues that began to emerge in 2020/21 and covered the key points that had not been addresses by the previous project board meetings.

The construction contract used for the redevelopment was a standard New Engineering Contract (NEC A). This placed responsibility for risk of design development and the condition of the existing building on the Council. Prior to agreement of the contract there had been limited exploration undertaken to understand the extent, scope and condition of the building. Bristol Beacon was a major arts venue and the intention was to minimise the length of time the venue was closed and as a result the contract was agreed and the works began very shortly after closure. As a result the full extent of the work and costs was not known until the work had begun and assessed in 2020/21.

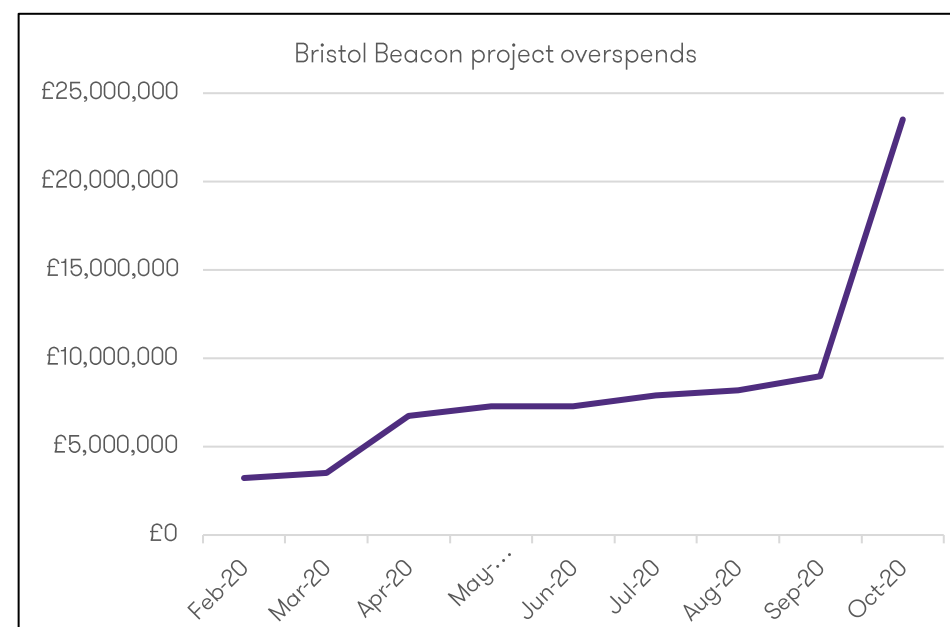
Therefore, the contract sum agreed was based upon provisional estimates and quantities. Under the NEC A contract all costs fell to the Council and the volume and nature of the issues uncovered since work started on redevelopment have far outstripped the worst-case scenarios contemplated by the original calculations in 2018. This has been further compounded by COVID-19 delays and costs.

The situation began to deteriorate in December 2019 and as a result regular meetings were held with the Deputy Mayor and the Mayor was also briefed. From the beginning of 2020/21 officers became aware of the increasing risks and deteriorating performance of the project.

Management action was taken during the year to achieve a more accurate reflection of the emerging cost and risks. This included cost consultants to better understand the escalating costs, a governance review, and senior officers investing significant time into the project.

In July 2020 Cabinet were updated in a public meeting that there was a significant issue with the delivery and cost of the programme. It was agreed that a more detailed report would be brought back to Cabinet once more information was known and a more accurate request for additional funding could be made

In September 2020, an external consultant was engaged to focus on the Bristol Beacon and to find a mutually acceptable way forward. The project management arrangements and governance arrangements were strengthened further at this stage. This included the quality of information brought to the project board and the meetings around the project board. The Council worked with the contractor to get some cost certainty. Negotiations took some time, and the result was the introduction of deed of variations, which provided some cost certainty and mitigation of the risks. However, the project remains high risk and cost overruns and delays are still possible.



The chart above illustrates the escalating costs that were reported at the project board in 2020/21. From November 2020 the project board was suspended as immediate remedial action was being taken and temporary weekly meetings were introduced with the Executive Director and Portfolio Holder (Cabinet Member) to keep them informed.

In addition, compensation events and early warning notices also increased month on month along with the expected completion date.

Bristol Beacon continued

It was hoped that the next Cabinet update, requesting additional funding for the Bristol Beacon would be brought before the end of 2020. However, due to the complexity of the project and the contractor negotiations which were underway, the position was not finally presented to Cabinet until March 2021.

Prior to the Cabinet decision to fund the additional cost, Bristol Beacon was discussed with the Overview and Scrutiny Management Board in a closed session in February 2021 and in an open session as agreed in March 2021, following publication of the report for Cabinet. Updates were also provided to the CIB and the Executive Delivery. The Delivery Executive did not call-in the Bristol Beacon project as Delivery Executive members were aware of the position from a combination of briefings, the issues were already being addressed by the Executive Director.

The Council has continued to strengthen its project management arrangements and since the appointment of its strategic partner in February 2021, Arcadis have been involved in the project management. These changes were made in 2021/22 and will be considered as part of our 2021/22 value for money arrangements.

In our view, the Council underestimated the complexity and difficulty of the redevelopment of the Bristol Beacon and did not have effective arrangements in place throughout 2020/21 but took steps in 2020/21 to address the situation. Bringing on board additional capacity and technical and specialist expertise. Therefore, we do not consider this to be a significant weakness. Whilst we recognise that effective project management arrangements may not have significantly changed the outcome, they would have ensured the Council was aware of the escalating risks sooner, thereby reducing the costs required to address the situation and reduce the amount of time the venue has been closed.

The delay in ensuring effective project management arrangements were in place and the lack of cost certainty before entering the contract with the developer, has resulted in delays and increased costs. These increased costs include:

- continuing to financially support for BMT, whilst the City's main entertainment venue is out of action
- third party technical and specialist advice and support
- inflationary increases due to delay.

The Council should learn from the Bristol Beacon project and ensure all capital projects have effective and rigorous project management arrangements in place. The introduction of a capital strategic partner should assist with this, but the Council should ensure it maintains an overall grasp of its capital programme. Our experience indicates that for a Council to effectively manage its capital programme it should maintain a strong client-side function, including technical expertise to enable it to hold its contractors and third-party support and advisors to account.

We are aware that consistent project management arrangements have not yet been introduced across the Growth and Regeneration Directorate and the Council. This was identified by the Council's Internal Audit Department in their capital programme review in May 2021. The Council has taken the approach to focus resources at project level with a view to rolling out the approach across portfolios and the whole of the capital programme at a later date. This approach will be considered as part of our 2021/22 value for money review.

Monitoring Standards

The Council has a range of officers who are responsible for ensuring and monitoring compliance with statutory standards, such as the Monitoring Officer and the Section 151 Officer. During our review we are not aware of any instances where officers or elected members have not complied with the necessary standards. The Council have made us aware that there have been data security breaches during the year and that the Council has raised these with the Information Commissioner's Office as required.

A range of policies and standards are in place to ensure compliance, such as codes of conduct, gifts and hospitality and whistle-blowing policies. Officers and members are required to annually declare any interests that they might have, and any gifts and hospitality received during the year. During the year whistle-blowing arrangements transferred to Internal Audit to provide a more independent investigation. Internal Audit also reviewed arrangements, which included a survey of employees. This review provided a substantial assurance opinion.

Informed decision making

Bristol Energy

In our 2019/20 review of value for money arrangements we concluded that there were inadequate governance and decision-making arrangements in place relating to Bristol Energy Limited (BE). We issued a qualified, 'except for' conclusion. Our findings that led us to this conclusion can be found in our report which was presented to the Council's Audit Committee on [25 January 2021](#).

In August 2020, the business element of BE was sold to Yu Energy and in September 2020 the domestic element to Together Energy. In September 2021 we provide our second report on BE. In this report we were of the view that, since April 2020, the approach taken by the Council and BE has resulted in a planned and an orderly solvent winding up of BE and it is reasonable to assume that this approach would be less costly than an unplanned approach. The Council's decision to opt for a Members Voluntary Liquidation (MVL), taking all known and estimated factors into account was a reasonable approach to have taken.

The progress made by the Council in relation to the recommendations raised in our BE reported issued in September can be found in Appendix D.

As the Council sold BE in 2020/21 and proceeded with the MVL we do not consider the weaknesses in arrangements identified in 2019/20 to be a significant weakness in 2020/21. In addition, we have considered the weaknesses in arrangements around decision making in our review of decisions made in 2020/21.

Informed decision making continued

Cabinet decisions

The work of the Council's committees is governed by the constitution. The constitution was updated and agreed by Full Council in May 2020. The constitution is available on the Council's website and includes the staff and elected members codes of conduct.

The Annual Governance Statement sets out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people.

During the year the Council has continued to make key decisions and as part of our work we have reviewed the following decisions:

- compulsory purchase of land for Temple Quarter
- agreement of business case for clean air zone
- set up of an SPV to secure funding to deliver heat networks
- City Leap re-procurement process
- Bristol Beacon, increased capital funding.

We found no evidence of significant weaknesses and found that the decisions were supported by appropriate evidence and the arrangements allowed for challenge and transparency. Scrutiny were involved in the majority of the decisions and where they were not the opportunity had been provided and the decision had been published in advance on the Mayor's Forward Plan.

We identified the following issues, which are consistent with our recommendations previously reported in January 2021:

- the Cabinet summary report should include:
 - a summary of the risks identified within the exempt papers
 - scored and RAG rated risks in public papers, we found evidence of risk being documented in the public papers but not being scored
 - the 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.

These issues illustrate that the recommendations raised in relation to Bristol Energy apply to all Cabinet decisions. We recognise that our recommendations were not published until January 2021 and that the Council would not have had sufficient time to address them in 2020/21.

The following issue had not been previously identified:

- Cabinet public papers should include an eco-impact assessment. We found that an eco-impact assessment was not completed for the City Leap re-procurement process, whereas an Equality Impact Assessment was.

Auditor Judgment

We found no evidence of significant weaknesses in the Council's governance arrangements for ensuring that it made informed decisions and properly managed its risks, although we have identified four areas for improvement.

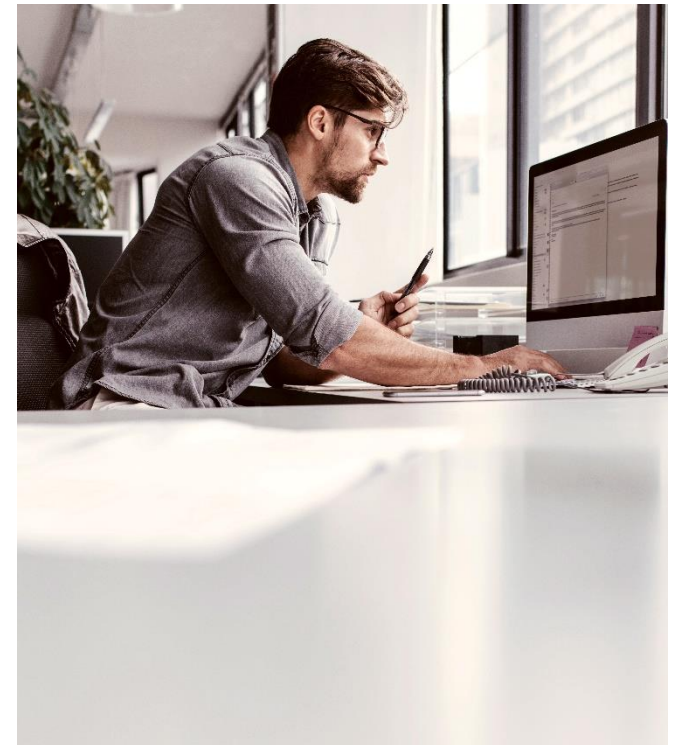
In relation to managing its capital projects and Bristol Beacon we recommend that the Council should:

- continue to ensure realistic capital budgets are set so that the level of slippage is reduced
- actively monitors the redevelopment of the Bristol Beacon and learns from this project to ensure
 - 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.

Improvement recommendations

Governance

3 Recommendation	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.
Why/impact	The trend to incur the majority of the capital expenditure in the final quarter of the year increases the workload in the final quarter, may be a symptom of unrealistic budgets having been set, but also that the process of managing creditors is more rigorous in the final quarter of the year.
Summary findings	The majority of capital expenditure occurred in the final quarter of the financial year 2020/21. The Growth and Regeneration Directorate incurred 57% of its capital spend in the last quarter of the year.
Management comment	<p>The Council's Internal Audit function will identify a sample of live capital projects with material percentage of the expenditure being incurred in the final quarter of the year, and undertake a review in order to identify the respective causes and constraints and to obtain assurance that process are robust and payment practices are appropriate. The outcome of this review will be used to improve practices and inform future capital planning.</p> <p>Responsible Officer - Director: Finance Target completion date - Q3: 2022/23</p>

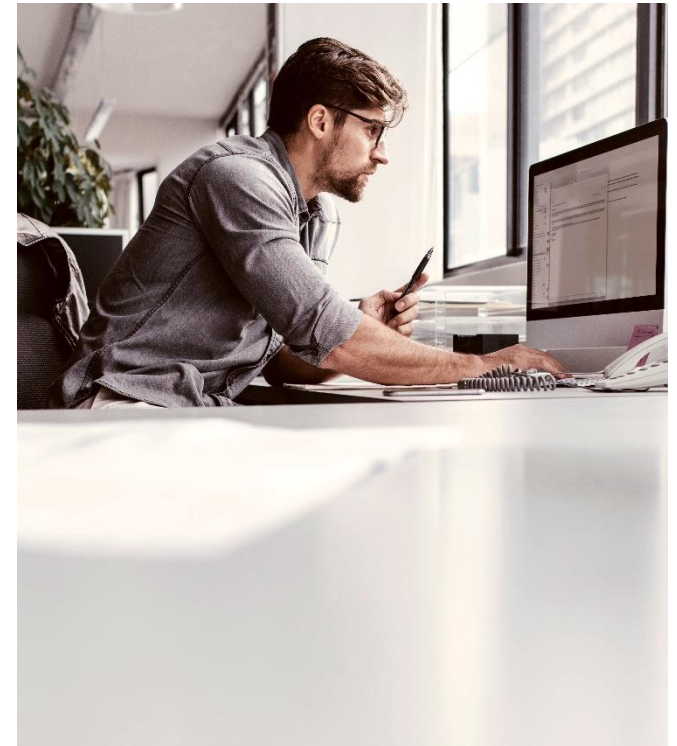


The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

4 Recommendation	The Council should continue to ensure realistic capital budgets are set so that the level of slippage is reduced.
Why/impact	Establishing realistic capital budgets should enable the Council to more effectively monitor delivery.
Summary findings	<p>Capital slippage has continued to be significant in 2020/21 due to the impact of COVID-19 but also as result of continuing to have unrealistic budgets in place for 2020/21. The Council delivered £123m of its capital programme, 43% of its original budget (£291m) and 74% of the revised budget (£199m).</p> <p>However, the Council recognises that existing arrangements needed to change and has introduced improved governance arrangements in 2021/22 which are expected to have an impact in 2022/23.</p>
Management comment	<p>As outlined in the report the Council has made significant enhancements to its governance and budgeting processes during 2021/22, which should mean the baseline Capital Programme 2022-32, approved by Council in March 2022, is more robust and realistic.</p> <p>However, the Council realises that it is likely to take time to change the culture of optimism bias inherent in capital project delivery and financial forecasting and as such further work has taken place and is planned to continue in 2022 to address this including engagement from the capital strategic partner to provide their expertise and enhanced governance in Growth and Regeneration Directorate; as well as further strengthening of the capital strategy and associated capital processes.</p> <p>Responsible Officer – Executive Director: Growth & Regeneration</p> <p>Target completion date - February 2023 (in line with Approval of Capital Programme 2023-33)</p>



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

Improvement recommendations



5 Recommendation	<p>The Council should continue to actively monitor the redevelopment of the Bristol Beacon and learn from this project to ensure:</p> <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.
Why/impact	<p>This should reduce the risk of further cost overruns and delays for the Bristol Beacon project and other capital projects.</p>
Summary findings	<p>In May 2018 the redevelopment of the Bristol Beacon was expected to take two years to redevelop at a cost of £48.8m. This increased to £52.2m in June 2019 and to £106.9m in March 2021.</p> <p>The contract arrangements for the redevelopment of Bristol Beacon were agreed and began shortly after the closure of the venue. The Council underestimated the complexity and difficulty of the redevelopment of the Bristol Beacon and did not have effective arrangements in place throughout 2020/21, but took steps in 2020/21 to address the situation. The failure to have effective management arrangements in place from the start of the project and to have any cost certainty before entering into the contract has resulted in delays and increased costs.</p> <p>The Council has strengthened the management and project management arrangements for Bristol Beacon, but these new arrangements are not yet consistently applied across the Council.</p>
Management comment	<p>A delivery framework has been developed and internally audited. It has received a Reasonable assurance rating with the management action to implement across the whole Capital portfolio, to move to Substantially assured. It is being used on all Strategic Partnership commissions, and is currently being piloted in City Transport with a view to full adoption by Autumn 2022.</p> <p>Target completion date - On-going / target completion end Q3 2022/23 (31 Dec 22).</p> <p>As part of Common Activities, Change Services are working with Growth and Regeneration to develop a Capital Portfolio Management Office (PMO) that would coordinate the adoption of the delivery framework and provide on-going level 2 assurance on Capital delivery across the whole Capital portfolio. This is tied to the Common Activities work and discussions are currently underway in an effort to complete this work as soon as possible.</p> <p>A substantially assured delivery framework has been implemented on the project including project governance and resource. Monthly board meetings and highlight reporting provides high quality corporate insight and grip on the project.</p> <p>Target completion date - complete</p> <p>Responsible Officer - Executive Director: Growth & Regeneration</p>

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

Improvement recommendations



6 Recommendation

The Council should continue to ensure the following actions are taken to improve the information provided to support Cabinet decisions:

- Cabinet summary reports should include:
 - 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.

Why/impact	These actions should improve the quality of the information provided to members and ensure that the summary report covers all the key information.
Summary findings	<p>Based on the review of a number of key decisions we established that:</p> <ul style="list-style-type: none"> • an eco-impact assessment was not completed for the City Leap re-procurement process, • risks identified within exempt session were not summarised and included within the public summary report and risks within the public summary report were not scored • the shareholder group and Bristol Holding Limited were consulted but the outcome of this consultation was not included within the public summary report • financial information documented in the appendices was not summarised in the public summary report. <p>These issues are consistent with the recommendations raised in our Bristol Energy report and illustrate that they apply to all Cabinet decisions. We recognise that our recommendations were not published until January 2021 and that the Council would not have had sufficient time to address them in 2020/21.</p>
Management comment	<p>Cabinet reports have a number of different appendices within the report template which enable more detail to be provided to decision makers on specific matters, where appropriate. For example, a detailed risk assessment will be completed where required. This enables exempt risks to be captured, where appropriate. Where a detailed risk assessment has been carried out and is incorporated into the Cabinet report, that risk assessment will be RAG rated. Key financial information is found in the main body of a Cabinet report and further detail is provided in the appendix where appropriate, by Finance officers. Where reports relate to shareholder matters details of consultation with the Shareholder Group and Bristol Holding is incorporated into the reports. An eco-impact assessment will also be included in Cabinet reports where appropriate to the decision being taken.</p> <p>Responsible Officer - Director: Legal & Democratic Services</p> <p>Target completion date - complete</p>

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

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance management

The Council published its five year Corporate Strategy in 2018 and agreed its updated Business Plan in September 2020. The business plan is the Council's annual plan which sets out how the Council will deliver its commitment within the Corporate Strategy. The updated version addressed the Council's response to the pandemic and included the Council's COVID-19 recovery plan and for each of its commitments considered the impact of COVID-19.

The Council has a performance management framework which summarises how the Council will monitor and assess the key commitments set out in the 2020/21 Business Plan.

During 2020/21 the progress against this Business Plan and a range of performance indicators was reported quarterly to Cabinet, performance was RAG rated against these indicators and reported over three months after the period end. The current approach enables Cabinet to monitor progress and challenge performance, however, more timely reporting would enable more effective performance monitoring.

The Council has a Data, Insight and Information Strategy which includes the importance of good quality data and the Council's approach to data quality.

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 Act 2004 Regulations 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.

The WSoA was agreed by Ofsted and CQC in March 2020 and has been published on the Council's website. The WSoA included a number of actions which were due for completion by July 2021. In March 2020 Cabinet received an update from the People Scrutiny Commission, but have not received an update since. The People Scrutiny Commission were formally updated in February 2020 and December 2020, receiving only an informal update in May 2020. The Health and Wellbeing Board have not received any updates and are part of the governance structure as set out within the WSoA.

During 2020/21 improvements were driven by the multi-agency SEND Partnership Group and progress monitored by the SEND Improvement Board. The Board met every two months and has an independent chair from the Local Government Association. Two Cabinet members attend this Board. Progress was not reported to Cabinet in 2020/21 or 2021/22. However, progress was not routinely reported to Cabinet, the People Scrutiny Commission and the Health and Wellbeing Board in 2020/21.

Progress was reported to the Health and Wellbeing Committee in October 2021. This report concluded that the Written Statement of Action (WSOA) reached its final set of 36 milestones in July 2021. Of these 89% were achieved or on target. The development of a culturally competent commissioning framework and Joint Commissioning Strategy had been delayed but is now underway. The People Scrutiny Commission an update on the WSoA and this included progress made since July 2021 in March 2022.

Joint Local Area SEND Inspection continued

In our 2019/20 Audit Findings Report we recommended that - *The Council should report progress on the Joint Local Area SEND Inspection to Cabinet and scrutiny on a regular (six monthly or quarterly) basis. Progress should also be reported to the Health and Wellbeing Board.* We have assessed this recommendation as incomplete in 2020/21 and as actions relating to the WSoA remain outstanding we have identified the following improvement recommendation - the council should continue to have oversight of progress on the Joint Local Area SEND Inspection.

Benchmarking and learning from others

Benchmarking is an effective tool that enables an organisation to compare and analyse its performance with others. It can identify areas for improvement and also provide targets to work towards. The Council uses a range of benchmarking information and used CIPFA’s financial resilience indicators in its MTFP 2021/22 to 2025/26.

Benchmarking was undertaken as part of our VfM work. We used our management tool ‘CFO Insights’ (CFOi) and compared the units costs for a range of services. CFOi is based on 2020/21 revenue outturn data. This analysis identified three areas where the unit costs were very high in comparison to other councils:

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

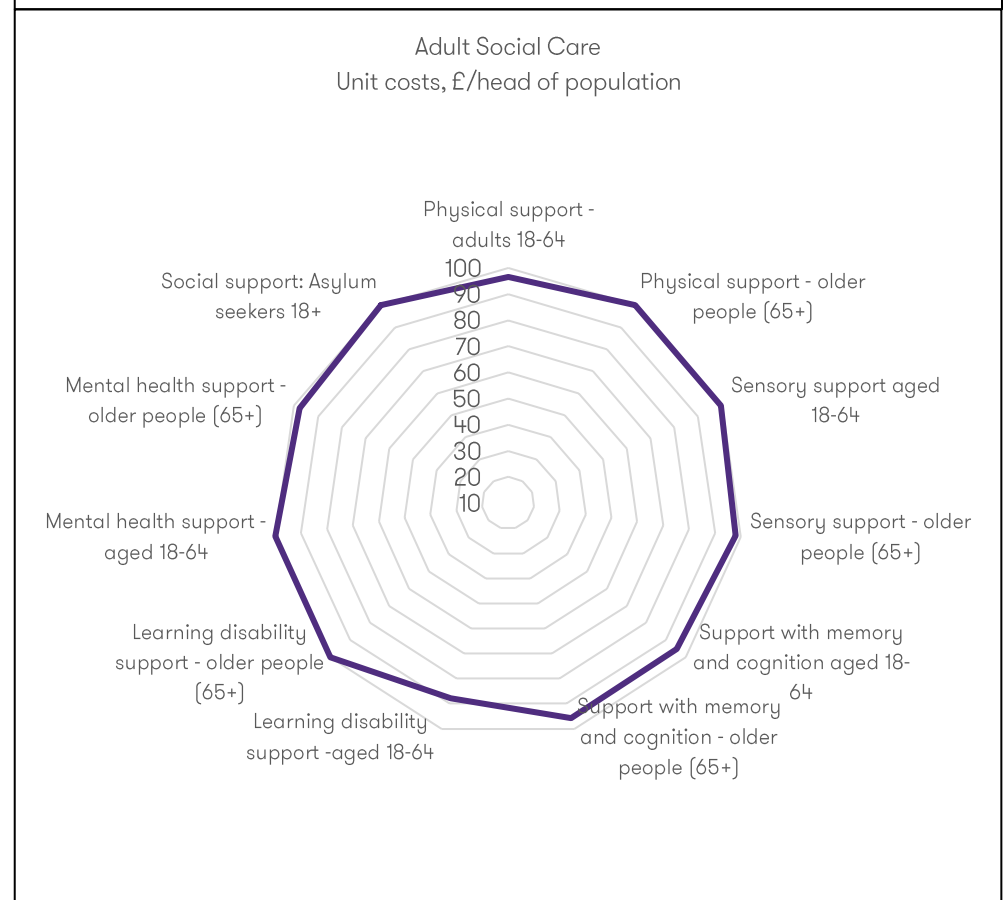
Adult Social Care

The Council is aware that it has some of the most expensive adult social care in England, and that these high costs are not isolated to one area of the service but are across all service areas, as illustrated opposite.

The Council recognises that reducing these costs is a significant challenge and the high costs are driven by a complex range of factors, including increasing demand and challenges within the provider market. The Council has established a transformation programme and has engaged an interim project director to lead the programme.

The Council has undertaken a wide range of benchmarking across Adult Social Care and in 2021/22 the Council began using Power BI to better understand its services’ users (capacity and demand) and the cost drivers. Power BI enables management to have access to data that can be modelled and developed to better understand their service area. This new management information is currently used by the Council’s brokerage department (the department which procures services for service users and social workers) and monthly reports are provided to the Adult Social Care Transformation Board.

On the chart below 50 represents the group median. The group in this case is all unitary councils. If a measure is closer to the outside of the chart it would be classed as ‘very high cost’, whereas if the line is closer to zero, then it would be classed as ‘very low cost’ in comparison to the group. Indicating that all adult social care costs are very high cost in comparison to others.



Benchmarking and learning from others continued

The monthly reporting to the Adult Social Care Transformation Board include Power BI reports based the following six new key performance indicators:

- 18 to 64 year olds
 1. Number in Long term care
 2. Number supported at home
 3. Unit costs
- 65+
 1. Number in Long term care
 2. Number supported at home
 3. Unit costs

Reducing the cost of Adult Social Care and achieving the required outcomes as set out within the Adult Social Care Transformation Programme remain a significant challenge for the Council's financial sustainability and as a result, we have raised an improvement recommendation.

Planning and Development Services

Further analysis identified that the service areas which had very high unit costs in comparison to other unitary authorities were:

- Community development
- Conservation and listed building planning policy
- Economic research
- Environmental initiatives.

In comparison to the following which were low cost:

- Building control
- Development control
- Other planning policy.

Housing services

Further analysis identified that the services areas which were very high cost in comparison to other unitary authorities were:

- Administration of financial support for repairs and maintenance
- Homelessness support
- Rent rebates to HRA tenants – discretionary payments
- Supporting people

There were no low cost services. For Housing Services, the following were average or high in comparison to others:

- Bed and breakfast accommodation - average
- Housing strategy, advice and enabling - average
- Homelessness prevention – high
- Housing benefit administration – high
- Other council property, non-HRA – high.

Whilst benchmarks can only provide an indication of where costs are high, they do provide a guide to where further exploration of these costs could identify potential efficiencies and savings for the Council. We have raised an improvement recommendation that the Council should consider further benchmarking and explore the high unit costs within the services we have commented upon above.

Contract management

In 2020/21 the Council procured in the region of £615m worth of goods through a range of different contracting arrangements. Responsibility for contract management sits with individual managers and Directorates across the Council. Approval process are in place and, depending on the value of the contract, this may be by Directorate, Executive Director or Cabinet.

The Council is on an improvement journey regarding its contract management arrangements and in July 2020, following the merger of two teams into a single Strategic Procurement and Supplier Relations Service, greater focus was enabled on the provision of central support and to lead on strategic contract management for the Council. In addition, a strategic partner was appointed to support the Strategic Procurement and Supplier Relations Service in delivering its priorities and the procurement of a contract management system.

Contract management is regularly reviewed by internal audit and, in April 2021, a position statement on the subject was completed by internal audit. This statement highlighted that previous reviews had provided a limited assurance opinion and that contract management arrangements were in need of improvement. Following internal engagement a system was procured and implemented. This system went live in 2021/22, with work on embedding its use across the Council scheduled for 2022/23.

Procurement

As part of the Council's response to the COVID-19 pandemic, in June 2020 Cabinet approved a procurement and contracts protocol to provide guidance for officers responsible for tendering and managing existing contracts. This enabled key decisions relating to contract extensions and variations to be delegated to the Executive Directors. The protocol provided flexibility within the Council's procurement rules. This arrangement came to an end in September 2020 and Cabinet has been provided with an update of the delegated decisions taken during this period.

The Council published its procurement rules on its website (January 2020) and updated these rules in July 2020. These Rules constitute the Council's standing orders in respect of third party contracts for the purposes of section 135 of the Local Government Act 1972. The Council does not have a procurement strategy. An effective procurement strategy should set out the Council's vision and aspirations for procurement across the Council, the objectives of the strategy and the mechanisms to ensure delivery. Such a strategy would be supported by the procurement rules and include the role of the Strategic Procurement and Supplier Relations Service.

In order to remain compliant with procurement legislation the Council should follow its procurement rules and re-tender in line with current legislation. If these procedures and legislation are not followed then this is classed as a procurement breach and the Council's procedures require breaches to be formally acknowledged and recorded.

The Council has developed a clear authorisation process for procurement breaches, including Officer Executive Decision (OED) and threshold permitting Cabinet reporting, and has gathered detailed information regarding the number, reason and value of breaches since January 2020. These figures are included in directorate KPI reporting with an indicator which monitors the Council's aim to 'reduce the number of breaches during the procurement process'. In 2021/22 the Council introduced arrangements for Strategic Procurement and Supplier Relations to report and discuss the number, reason and value of breaches at Directorate and Executive Director Meetings and Cabinet Member Briefings.

An internal audit report on Procurement Compliance (August 2021) gave an opinion of Reasonable Assurance but recommended ways to further strengthen governance arrangements and reduce breach numbers.

The table below sets out the number of contract breaches and their value in 2020/21 and 2021/22. The number of contract waivers is not centrally monitored and reported.

2020/21		2021/22	
No. of Breaches	Value £m	No. of Breaches	Value £m
94	£14.147	203	68.737
	Approx. 11%		Approx. 14%

The overall level of breaches in both years is higher than we would expect and the increase and final value in 2021/22 is of some note. In our experience high levels of breaches have been associated elsewhere with governance and procurement irregularities and, as such, the issue should be addressed as a matter of urgency.

We note that these figures are not routinely reviewed by members and in our experience it not unusual for this sort of information to be reviewed by Cabinet or Audit Committee.

We consider that the Council should continue to work with the service departments and Directorates to reduce contract breaches, formally record and understand why contract waivers occur and how they could be reduced. The introduction of training would be beneficial and in line with recognised good practice, breaches should be reported to Cabinet or Audit Committee.

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 202 the Council introduced its first Partnerships and Collaboration Policy. This policy applies to all members and officers, it is published on the Council's internal SharePoint and aims to provide clarity on impact and outcomes for partnerships to be effective.

The policy provides guidance on what constitutes a partnership and that all partnership should be entered on the Council's partnership register. The register lists 66 partnerships, of which this includes one trust and the Council's four companies. 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. The register does not identify the Council's objective to which it contributes.

As part of our review we identified the following partnerships which were included in the Council's Business plan but were not included on the register; Learning City Partnership, Business Improvement Districts and the Voice and Influence Partnership. We also noted that one trust and the Council's companies are listed, which is not inline with the Partnerships and Collaboration Policy, as these separate legal entities have a contractual agreements in place to carry out activity on behalf of the Council.

Although there is no evidence of any significant failings in any of the Council's partnerships, we consider arrangements could be improved if the partnership register was extended to include a link to the Council's objective(s) and it was reviewed to ensure all key partnerships are included and the inclusion of the Council's companies and trust is evaluated.

Auditor judgement

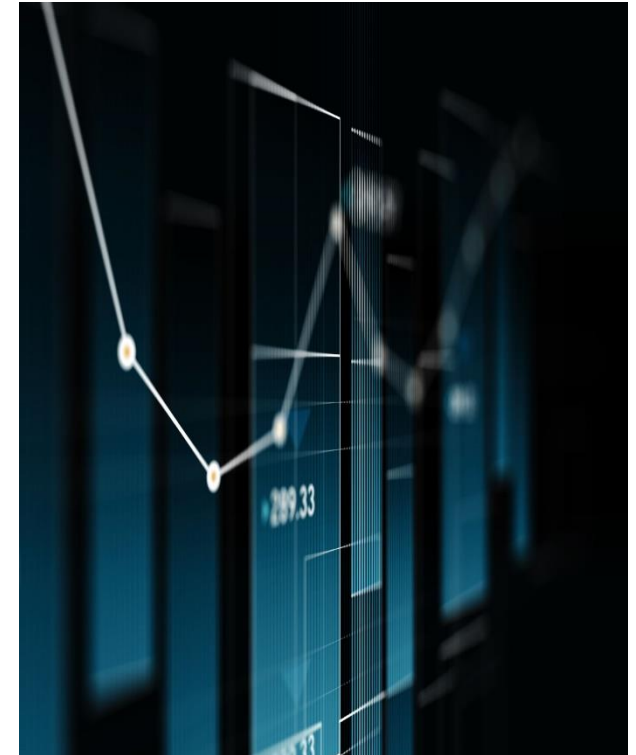
We found no evidence of significant weaknesses in the Council's arrangements for ensuring economy, efficiency and effectiveness, although we have identified eight areas for improvement.

Improvement recommendations



Improving economy, efficiency and effectiveness

7 Recommendation	The Council should consider introducing performance monitoring against the Business Plan on a more timely basis.
Why/impact	Reducing the amount of time after the period end, will give Cabinet access to more up to date information and enable any action to be taken in a more timely manner.
Summary findings	Progress against this Business Plan and a range of performance indicators was reported quarterly to Cabinet, for quarter one, two, three and four. However, performance was reported over three months after the period end.
Management comment	<p>We are mindful of pace of reporting, although this is largely dictated by the process of the council's Decision Pathway. A new Performance Framework was agreed by Corporate Leadership Board for 2022/23, which will include more timely thematic Performance Clinics which will ensure sponsoring Directors are sighted and engaged in performance issues more quickly. Similarly Scrutiny has agreed to look in detail at specific performance topics as a more valuable way of scrutinising performance than only relying on high-level dashboard views. Whilst this will not resolve the issue of pace and timeliness, it should add value to the way in which the Council manages live performance issues.</p> <p>Responsible Officer - Director: Policy, Strategy and Digital</p> <p>Target completion date - Q1: 2022/23</p>



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

Improvement recommendations



Improving economy, efficiency and effectiveness

8 Recommendation	The Council should continue to have oversight of progress on the Joint Local Area SEND Inspection.
Why/impact	Progress monitoring should continue to ensure all actions are completed.
Summary findings	<p>Progress was not routinely reported to Cabinet and the People Scrutiny Commission in 2020/21. In March 2020 Cabinet received an update from the People Scrutiny Commission, but have not received an update since. The People Scrutiny Commission were formally updated in February 2020 and December 2020, receiving only an informal update in May 2020. The Health and Wellbeing Board have not received any updates .</p> <p>The Written Statement of Action (WSOA) should have completed all actions by July 2021, however at this point 89% of the milestones were achieved or on target. The development of a culturally competent commissioning framework and Joint Commissioning Strategy had been delayed but is now underway.</p>
Management comment	<p>Internal scrutiny and reporting remain as before. External monitoring of progress by the DfE and NHS England have continued beyond the formal milestones in the Written Statement of Action. The SEND re-visit window opened in March 2022.</p> <p>Responsible Officer – Director: Education & Skills</p> <p>Frequently of performance monitoring- Annual through Scrutiny, 6 weekly through SEND Improvement Board</p>



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

Improvement recommendations



Improving economy, efficiency and effectiveness

9 Recommendation	The Council should continue to actively monitor and review its progress against the outcomes and savings within its Adult Social Care Transformation Programme.
Why/impact	If costs could be reduced and outcomes improved this should improve the value for money of the services provided and ensure services better meet the needs of users.
Summary findings	The cost of Adult Social Care Service is very high in comparison to other councils. The Council is aware of this and established a transformation programme.
Management comment	<p>The Adult Social Care Transformation programme was reset under a new mandate in May 2022. This reset programme includes all 13 of the ASC savings proposals in the MTFP and is structured with 11 workstreams and 4 areas of continuous improvement. The ASC Transformation Programme Board has agreed a reduced scope with its sole focus on the Transformation Programme, as the performance oversight function has a separate assurance structure. The Board will receive monthly progress reports against milestone delivery, savings achieved, performance on outputs and outcomes, risks and issues. The ASC Transformation team works jointly with Finance and Corporate Intelligence to produce and assure the performance information provided.</p> <p>Responsible Officer - Interim Director: Adult Social Care Transformation</p> <p>Target completion date - 31 March 22/23 with monthly monitoring throughout 22/23</p>



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

Improvement recommendations



Improving economy, efficiency and effectiveness

10 Recommendation	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.
Why/impact	Benchmarking enables services to be compared and potential savings and efficiencies to be identified.
Summary findings	In addition to Adult Social Care our review identified two very high unit cost areas; planning and development services and Housing Services. Further analysis identified service areas which are contributing to these high cost indicators.
Management comment	<p>Benchmarking data will always have its limitations as the data collected can vary and on occasions be inaccurate. However, regular analysis is undertaken to seek to look at opportunities where service costs could be reduced and this will include the areas identified in the report.</p> <p>A Planning Advisory Service (PAS) benchmarking exercise was carried out in 2021 covering cost, income, workload and performance – indicated costs were in the medium range and in looking for continuous improvement, we will continue to regularly review these areas to ensure we have efficient and cost effective services.</p> <p>Housing and Landlord Services have always benchmarked against a national data base for continuous improvement. Non-delivery housing use Housing Quality Network for benchmarking which is a national data base that we commission.</p> <p>Responsible Officer- Executive Director: Growth & Regeneration Target completion date - ongoing</p>



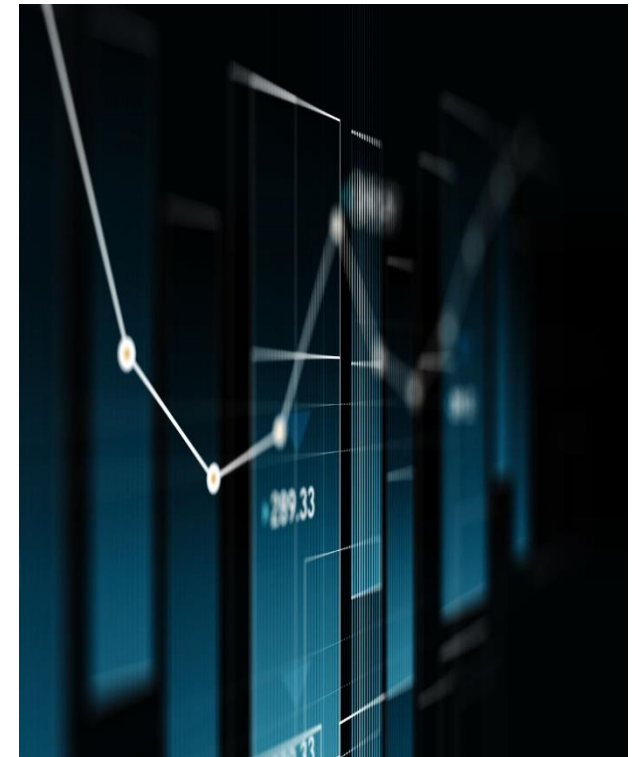
The range of recommendations that external auditors can make is explained in Appendix D.

Improvement recommendations



Improving economy, efficiency and effectiveness

11 Recommendation	The Council should develop a procurement strategy.
Why/impact	A procurement strategy would set out the Council's vision and objectives for procurement across the Council.
Summary findings	In June 2020 Cabinet approved a procurement and contracts protocol to provide guidance for officers responsible for tendering and managing existing contracts, but does not have a procurement strategy.
Management comment	<p>A procurement strategy will be developed that sets out our common collaborative framework approach to procurement, with the overall objective to improve the way the Council and our partners procure services, goods and works to ensure our activities are undertaken efficiently and economically whilst contributing to the realisation of the economic, social and environmental benefits for our communities.</p> <p>Responsible Officer - Director: Finance</p> <p>Target completion date - Approved by March 2023</p>



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

Improvement recommendations

Improving economy, efficiency and effectiveness

- 12 Recommendation** The Council should continue to scrutinise and act to reduce contract breaches. To do this the Council should:
- introduce procurement compliance training
 - reporting of breaches should be reported to Cabinet or Audit Committee.

Why/impact Reducing the number of contract breaches and waivers should reduce the risk exposure for the Council and ensure services are procured in the most economic and effective way.

Summary findings The Council introduced monitoring arrangements for its contract waivers in 2020/21, and recorded 94 breached to the value of £14.1m, in 2021/22 with a full year of monitoring this has increased to 203 breaches and £68.7m.

Management comment Whilst full compliance can never be guaranteed and ‘under-reporting’ of breaches, in particular, is an inherent possibility, an effective and transparent breaches governance process is in place to detect instances of non-compliance. Procurement compliance training will be more widely rolled out via e-learning and actual compliance activity reported quarterly to Audit Committee via Internal Audit.

Responsible Officer - Director: Finance

Target completion date - Q2: 2022/23



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

Improvement recommendations



Improving economy, efficiency and effectiveness

13 Recommendation	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.
Why/impact	Changes to the partnership register should make it a more effective tool to provide oversight and management of the partnerships in which the Council is engaged.
Summary findings	<p>The Council has launched a Partnerships and Collaboration Policy below which sits a partnership register. The register lists 66 partnerships and is a live document maintained by the Executive Office. The register includes a range of useful information including Directorate Management Meeting and Executive Directorate Meeting status and sign-off. However, the register does not identify the Council's objective to which it contributes.</p> <p>The following partnerships which were included in the Council's Business Plan were not included on the register; Learning City Partnership, Business Improvement Districts and the Voice and Influence Partnership.</p> <p>We also noted that Bristol Music Trust and the Council's companies are listed, which is not in line with the Partnerships and Collaboration Policy as these separate legal entities have a contractual agreements in place to carry out activity on behalf of the Council.</p>
Management comment	<p>This is accepted and is helpful feedback. The Executive Office maintains this register and will work to provide an updated iteration, including explanatory notes around the rationale for what is included.</p> <p>Responsible Officer - Director: Policy, Strategy and Digital</p> <p>Target completion date - Q2: 2022/23</p>



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

COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how Council services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

At the out break of COVID-19 the Council declared a major incident and implemented its Gold Command and Control arrangements and as such was required to make decisions based on these emergency governance arrangements. In April 2020 an extension to these governance arrangements was requested from Cabinet. Cabinet was also made aware of the decisions taken to date under these arrangements. As reported on page 26 in June 2020 Cabinet approved a procurement and contracts protocol to provide guidance for officers responsible for tendering and managing existing contracts.

The Council enabled frontline services to be maintained by adapting the way they were delivered. Staff were redeployed across the Council to assist with the response and those not required on the frontline adopted home working.

The Public Health team developed the Local Outbreak Management Plan which covered : outbreak prevention and response, test, trace and isolate, communication and engagement, data, recovery, protection and enforcement and how the city deals with the ongoing challenge of COVID-19. The city was also recognised nationally as an example of best practice for COVID-19 vaccination take up.

In 2020/21 the Council received in the region of £338m in grant funding, to fund both the extra costs within the Council and to fund and support businesses and local residents. As a result the Council was able to pay over £13m in COVID-19 support grants (where the Council had discretion on the amount provided and £132m in business support grants, with the amount allocated set by Government. The Council increased its financial monitoring and period one financial performance was reported to Cabinet in June 2020 for the first time. £74m of the COVID-19 funding supported the financial pressures within the budget (£50.6m in additional expenditure and the inability to deliver planned savings, as well as £24.1m to cover the reduction in income from sales, fees and charges). Reserves have increased as COVID-19 funding has been carried forward to 2021/22 to cover COVID-19 pressures in future years.

The Business plan 2020/21 was updated and presented to Cabinet in September 2020. The updated version addressed the Council's response to the pandemic and for each of its commitments considered the impact of COVID-19 and included an additional theme - COVID-19 Recovery and Renewal. This has enabled performance on its COVID-19 recovery plan to be reported to Cabinet using new and existing KPIs.

Scrutiny have also been involved with an Overview and Scrutiny Management Board Task and Finish Group established to look at the financial impact of COVID-19, a short report was presented to Cabinet in July 2020.

Auditor judgment

During 2020/21 the officers and members of the Council have worked hard to support their local residents and businesses during these unprecedented times. Our review of how the Council responded to the COVID-19 pandemic has not identified any evidence of significant weaknesses in arrangements. Overall we concluded that the Council's response to the COVID-19 pandemic was appropriate and effective.

Opinion on the financial statements



Audit opinion on the financial statements

To be completed following the completion of the audit of the financial statements.

Other opinion/key findings

To be completed following the completion of the audit of the financial statements.

Audit Findings Report

To be completed following the completion of the audit of the financial statements.

Whole of Government Accounts

To be completed following the completion of the audit of the financial statements.

Preparation of the accounts

To be completed following the completion of the audit of the financial statements.

Issues arising from the accounts:

To be completed following the completion of the audit of the financial statements.

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



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

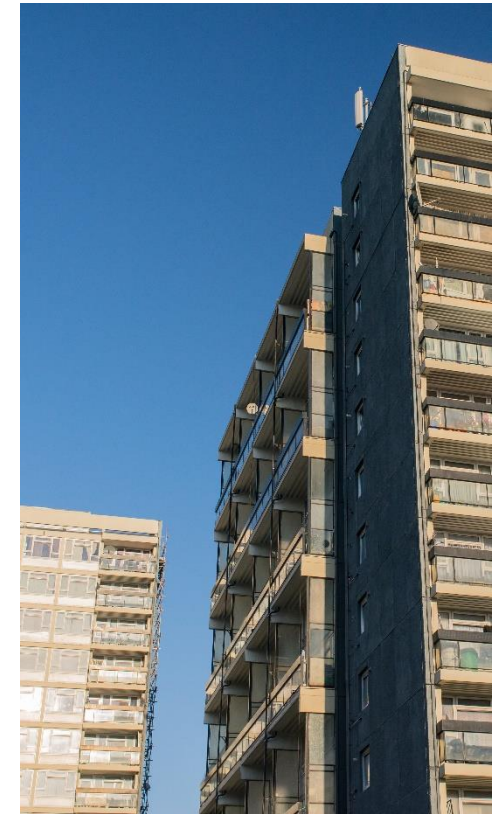
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer 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:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
<p>1 Setting and managing capital budgets</p> <p>The annual capital budgets do not reflect actual spend in 2020/21 and as a result undermine the Council's ability to effectively manage its capital budgets.</p>	<p>We reviewed the following the arrangements for:</p> <ul style="list-style-type: none"> • setting and agreeing the capital budgets • profiling the budgets within year and across a number of years • monitoring progress against budget • amending the budgets in-year • manging the risks associated with a large complex capital project <p>We focused on the Growth and Regeneration Directorate, which had the largest capital budget in 2020/21 and the Bristol Beacon project.</p> <p>Bristol Beacon</p> <p>Following the agreed increase in capital budget by £44.5m in March 2020 we considered the:</p> <ul style="list-style-type: none"> • steps that led to this overspend including any key decisions • how the Council has managed the risks associated with this development • contract and performance monitoring arrangements. <p>We also looked at two other projects within the Growth and Regeneration Directorate:</p> <ul style="list-style-type: none"> • Third Household waste recycling and re-use centre - NH04 • Cattle Market Road site development – PL11A 	<p>We do not consider this to be a significant weakness. The Council underestimated the complexity and difficulty of the project, and did not put sufficient resources to effectively manage such a difficult project, from the start of the project, it has taken measures in year to address the situation. Bringing on board additional technical and specialist expertise. Therefore we do not consider this to be a significant weakness. Failure to address these issues earlier, the resulting delays and the need for additional third party support have increased the costs.</p>	<p>No risks of significant weakness identified, improvement recommendations have been raised.</p> <p>Further details on pages 14 to 17. Improvement recommendations on pages 19 to 21.</p>

Risk of significant weakness	Procedures undertaken	Findings	Outcome
<p>2 Governance arrangements, how the Council ensures it makes informed decisions for its companies and for key decisions relating to high profile transactions</p> <p>We reviewed the arrangements to ensure informed decision making for the following key decisions undertaken in 2020/21:</p> <ul style="list-style-type: none"> • compulsory purchase of land for Temple Quarter • agreement of business case for clean air zone • set up of an SPV to secure funding to deliver heat networks • City Leap re-procurement process • Bristol Beacon, increased capital funding. 	<p>We reviewed the following:</p> <ul style="list-style-type: none"> • the information provided the Shareholder to support key decisions • the role of scrutiny, shareholder group and Bristol Holding Ltd • how the Council is managing the risks associated with these decisions. <p>Bristol Energy</p> <p>We concluded our review of arrangements, including the Sale of Bristol Energy and reported this to Audit Committee in September 2021.</p>	<p>We found no evidence of significant weaknesses and found that the decisions were supported by appropriate evidence and the arrangements allowed for challenge and transparency. Scrutiny were involved in the majority of the decisions and where they were not the opportunity had been provided and the decision had been published in advance on the Mayor's Forward Plan.</p> <p>We do not consider that decision making and governance around Bristol Energy to be a significant weakness, as the Council has now sold BE and improvements in the governance arrangements have been made. Where improvements are still required we have highlighted that the recommendation remains outstanding in Appendix D.</p>	<p>No risks of significant weakness identified, improvement recommendations have been raised.</p> <p>Further details on pages 17 to 18. Improvement recommendation on page 22.</p>

Appendix C - An explanatory note on recommendations

A range of different recommendations can be raised by the Council'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. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	
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'.	No	
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	Pages 10 - 11 19 - 22 27 - 33

Appendix D - follow-up of recommendations raised as part of our 2019/20 VfM review

The following recommendations were raised in our VfM report and presented to the Council's Audit Committee on 25 January 2021

Recommendation	Priority	Progress to date	Addressed?	Further action?
The Council should develop a recovery plan for the DSG and agree this with the schools' forum and the Department for Education.	● High	<p>The DSG deficit as predicted has continued to increase and as at 31 March 2021 was reported at £10.004m and forecast to increase to £20.5m by the end of 2021/22. A deficit management plan has been developed and reviewed by the Schools Forum in March 2022. This plan is the beginning of the Council's and the Schools Forum's approach to try and achieve a sustainable position for the high needs block and is likely to achieve a number of years to achieve. Without the management plan the deficit is forecast to reach £70m by 2024/25.</p> <p>Further detail can be found on pages 6 and 7.</p> <p>Management comment</p> <p>Action Complete (Next steps Superseded by Recommendation 1 on page 10.</p>	In progress	Yes on page 10, recommendation 1.
The Council should address the overspends within Public Health to ensure sufficient reserves are maintained to meet any future overspends.	● Medium	<p>Service restructuring and recommissioning exercises have been undertaken. As a result the Public Health budget delivered an underspend in 2020/21 of £0.3m, against a budget of £38m. This underspend has been added to the Public Health reserves.</p>	Yes	No

Appendix D - follow-up of recommendations raised as part of our 2019/20 VfM review

The following recommendations were raised in our VfM report and presented to the Council's Audit Committee on 25 January 2021

Recommendation	Priority	Progress to date	Addressed?	Further action?
The Council should evaluate and consider how it sets its capital budget to enable it to set more realistic budgets doing forward. The Council's growth and regeneration plans should be updated to reflect the slippage in capital plans.	● High	<p>Capital slippage has continued to be significant in 2020/21 due to the impact of COVID-19 but also as result of continuing to have unrealistic budgets in place for 2020/21. The Council delivered £123m of its capital programme, 43% of its original budget (£291m) and 74% of the revised budget (£199m). However, the Council recognises that existing arrangements needed to change and has introduced improved governance arrangements in 2021/22 which are expected to have an impact in 2021/22. Capital performance is considered in more detail on pages 14 and 15.</p> <p>Management Comment</p> <p>There has been significant progress to meet this recommendation. The Council approved its refreshed Capital Strategy in December 2021 which includes enhanced governance and process arrangements. As per the development of the Capital Programme 2022/32, the Council undertook a fundamental review of the spend profiles of schemes of across years to ensure they were more robust, realistic and aligned to project delivery timescales. This review resulted in £56 million of spend in financial years 2021/22 and 2022/23 being re-profiled to 2023/24 and beyond. This resulted in revenue savings of £1.9 million (of which £0.5m is in 2022/23) over the medium term period to finance the Feasibility Fund. In addition work was undertaken to create headroom in the existing programme to fund decarbonisation, transformation and invest to save projects.</p> <p>Responsible Officer- Director: Finance</p>	In progress	Yes on page 20, recommendation 4.

Recommendation	Priority	Progress to date	Addressed?	Further action?
<p>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.</p>	<p>● Medium</p>	<p>Delivery of the Council's savings plans remain a challenge as a result of the economic and operating conditions resulting from COVID-19. In 2020/21 the Council had a savings target of £15.703m and only delivered £4.141 on a recurrent basis, with the remaining £11.562 being achieved from one-off events.</p> <p>Achieving recurrent savings in high costs areas, such as Adult Social Care Services and Children and Families Services remain a challenge and attention by the Council.</p> <p>Management comment</p> <p>See page 11</p>	<p>In progress</p>	<p>Yes – on page 11, recommendation 2</p>
<p>The Council should report progress on the Joint Local Area SEND Inspection to Cabinet and scrutiny on a regular (six monthly or quarterly) basis. Progress should also be reported to the Health and Wellbeing Board.</p>	<p>● Medium</p>	<p>Progress was not routinely reported to Cabinet and the People Scrutiny Commission in 2020/21. Improvements were driven by the multi-agency SEND Partnership Group and progress monitored by the SEND Improvement Board. The Board met every two months and has an independent chair from the Local Government Association. Two Cabinet members attend this Board. Progress was not reported to Cabinet in 2020/21 or 2021/22.</p> <p>Progress was not reported to the Health and Wellbeing Committee in 2020/21, but was reported in October 2021. The People Scrutiny Commission undertook a SEND evidence gathering day in 2019/20 and the outcome of this day were reviewed and fed into the WSoA in December 2020. In March 2022 the Commission received an update on the WSoA and this included progress made since July 2021.</p> <p>Management Comment</p> <p>Monitoring of the SEND improvement plan is ongoing. Agreement for annual report to Scrutiny, along with more detailed deep dives. Annual progress report was presented to the Health and Well Being Board in Spring 22 and will be an annual standing agenda item. Current work to bridge from the Written Statement of Action to SEND Partnership Plan is currently in co-production with all stakeholders. This will be formally ratified by the SEND Improvement Board.</p> <p>Responsible Officer- Director: Education & Skills</p>	<p>In progress</p>	<p>Yes – on page 28, recommendation 8.</p>

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. Where recommendations are outstanding we have not repeated them in this report but would refer the reader to our original report. [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 remains in progress. The Council intend to consider the appropriate mechanism for communicating the direct financial cost to the public once liquidation is complete. Management comment The Members Voluntary liquidation process is still progressing and the final position cannot be confirmed until this process is complete. The overall position is still likely to be as outlined in the Grant Thornton report.	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	The Companies Handbook was launched on the Council's website in November 2021. The Council is in the process of developing a framework or protocol for Officers (incorporated within the Companies handbook and financial protocols), that would ensure the identification and appraisal of options. Management comment Work has commenced within Finance and the Shareholder Liaison service to define the scope and reach of this piece of work.	In progress	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 planned to ensure that due regard is had to all recommendations proposed by external advisors on complex projects. The Shareholder Liaison service plan to define the scope and reach of this piece of work. Management comment Work has commenced within Finance and the Shareholder Liaison service to define the scope and reach of this piece of work.	In progress	Further action required

Recommendation	Priority	Progress to date	Addressed?	Further action?
4 Public reports should be consistent with the issues and concerns raised within exempt papers. The exempt papers should only provide confidential information which cannot be discussed within the public sessions.	● High	The Council has reviewed its processes and received ongoing professional advice from the Council's Legal Services around the structure and content of exempt papers in Cabinet Reports.	Yes	No
5 Cabinet reports relating to Bristol Holding Limited's companies which include exempt information should be improved. Exempt papers, should clearly identify and quantify the risks and advice provided by the Shareholder Group and any relevant independent advisors as well as the clear views of Bristol Holding Limited.	● High	The Shareholder Liaison Service have amended the template for Cabinet reports to ensure all relevant and key information is included.	Yes	No
6 The Council should ensure Cabinet decisions are based upon more timely and current information.	● High	The business planning timetable for 22/23 has been revised so that the Business Plans are considered by Shareholder Group in January, OSMB in February and Cabinet in March. This update timetable has been included within the Companies Handbook.	Yes	No
7 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	Following an internal governance review the Council agreed to retain Bristol Holding in its current form until the outcome of the City Leap procurement is known, at which time the position will be reviewed again to ensure proportionate governance arrangements are in place. As a result the articles of association and shareholder agreement have yet to be updated.	In progress	Further action required
		<p>Management comment</p> <p>Now that the outcome of City Leap is known, the future governance arrangements for the Council's companies are being considered. The Holding Company will be retained in the new arrangements and the detail of the new governance arrangements will be finalised in Summer 2022 and the articles of association and shareholder agreement will then be updated as appropriate.</p>		

Recommendation	Priority	Progress to date	Addressed?	Further action?
8 Consideration should be given to the role of the Executive Chair of Bristol Holding. This should include if this role is appropriate going forward, and does it ensure independence of the chair and reduce potential conflicts	● High	In October 2021 the role of the Executive Chair ceased with the Executive Chair taking up the role of Chair only. The Executive functions were picked up by the Finance Director.	Yes	No
9 The Council should improve the risk management arrangements to ensure that all key risks are identified and clearly reported to Cabinet.	● High	The risk management framework for the companies has been strengthened with a risk matrix and group risk register reported to the Shareholder Group. A methodology has been developed to map the risks against our BCC criterion to enable where appropriate a transition into the Corporate Risk Register. The 2021/22 Business Plans, included the main risks in each business and the finance commentary in the Cabinet Report seeking approval for the Business Plans, included a summary of the risks in each.	Yes	Addressed for the Council's subsidiaries outstanding for other Cabinet reports.

Appendix E - use of formal auditor's powers

We bring the following matters to your attention:

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 did not issue 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 did not issue a public interest report

Application to the Court

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

We did not apply to the Court

Advisory notice

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

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

We did not issue an advisory notice

Judicial review

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

We did not apply for judicial review

