Auditor's Annual Report on North Somerset Council

2021/22

April 2023

Contents

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive summary

Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. 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. The review of arrangements is focused on those in place in 2021/22 including both budgeting and outturn. It is recognised that the 2020/21 Auditor's Annual Report (AAR) was not presented to members until September 2022. Consequently, it has not been possible for management to implement any of the recommendations within the 20121-22 financial period. In addition, insufficient time has passed between last years' report and the work undertaken to inform this years report to allow management to consider and take any meaningful action to address our recommendations. Therefore, we have not repeated prior year recommendations within this report and progress will be assessed as part of work that will be reported in the 2022-23 Auditors' Annual Report. To reflect the current situation and timing of the reports we have not included a direction of travel in the table below.

As in 2020-21, we have not identified any significant weaknesses not raised any key recommendations.

Criteria	Risk assessment	2020-21 Auditor Judgment		2021-22 Auditor Judgment	
Financial sustainability	Risk identified because of the Council's low level of reserves	Amber	No significant weaknesses in arrangements identified, but four improvement recommendations made	Green	No significant weaknesses in arrangements identified, or improvement recommendations made
Governance	No risks of significant weakness identified	Amber	No significant weaknesses in arrangements identified, but two improvement recommendations made	Amber	No significant weaknesses in arrangements identified, but two further improvement recommendations made
Improving economy, efficiency and effectiveness	Risk identified because of the inadequate rating issued by Ofsted in respect of children in care	Amber	No significant weaknesses in arrangements identified, but five improvement recommendations made	Amber	No significant weaknesses in arrangements identified, but two further improvement recommendations made

- Green: No significant weaknesses in arrangements identified or improvement recommendation made.
- Amber: No significant weaknesses in arrangements identified, but improvement recommendations made.
- Red: Significant weaknesses in arrangements identified and key recommendations made.

Executive summary

Financial sustainability

Overall we are satisfied that the Council had appropriate arrangements in place to manage the financial resilience risks it faced with regard to budget setting, monitoring, reporting and the medium term financial plan. We have not identified any risks of significant weakness in these areas

Governance

We have not identified any areas of significant weakness in the Council's governance arrangements with regard to managing risk, setting ethical standards, internal control and budget monitoring but have identified further opportunities for improvement. Specifically:

- We have noted the improvement in risk reporting at a Council wide level. However, public reports still include minimal information and there is an assumption that readers of the account will access performance information through the Council's website.
- There is still minimal information provided as to the reason for slippage in capital projects. Steps have been put in place and the Council needs to ensure that focus is not lost on implementing these.

Improving economy, efficiency and effectiveness

We have not identified any risks of significant weaknesses but we have identified two further improvement opportunities for improvement. Specifically:

- Performance management against corporate objectives is delegated to scrutiny panel. The relevant panels do not meet sufficiently regularly to allow this process to operate effectively and management should consider whether this is the appropriate forum for this process
- Review has identified projects that have seen a significant increase in the cost from those identified at the budget stage. Whilst some of these costs are due to unforeseen issues such as inflation, not all increases are unpredictable. Management should look to ensure that all estimated costs have been considered and included within project scopes

We have completed our audit of your financial statements and issued an unqualified audit opinion on 1 February 2023, following the Audit Committee meeting on 26 January 2023. Our findings are set out in further detail on page 27

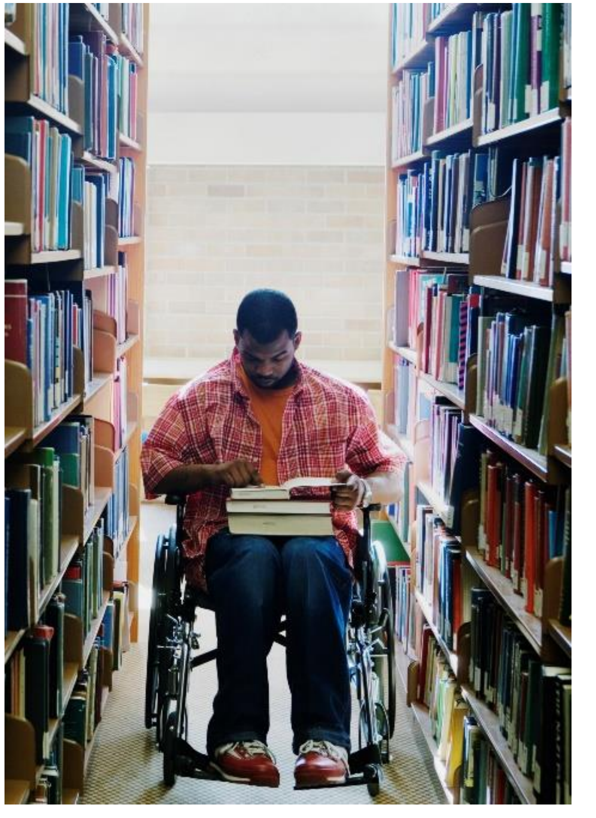
Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22	We have completed our audit of your financial statements and issued an unqualified audit opinion on 1 February 2023, following the Audit Committee meeting on 26 January 2023. Our findings are set out in further detail on page 27.
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 for an application 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 a judicial review

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

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness 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 the Council's arrangements in each of these three areas, is set out on pages 7 to 25. 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 that are relevant to its short and medium-term plans and builds them 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 which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Budget 2021-22

The 2021-22 budget was presented to the Executive in February 2021 and included a number of assumptions and growth pressures to identify resource needs for the financial year. The 2021-22 budget has taken a view of the outcomes from the 2020-21 financial year which identified that once covid impacts are removed it can be seen that there were several areas where material budget variances occurred during the financial year and it is likely that these will continue into the future.

These have been considered and noted that additional growth provision has been included into the budget for 2021-22. The most significant of these include:

- £475k - Legacy issues within the disabled children's budgets

- £760k - Demand pressures for children's placements

- £500k - Increasing demand pressures within home to schools transport budgets

- £500k - Demand pressures in adult social care

- £1,334k - Reductions in property related rental income.

As a result of the Covid-19 pandemic there were a number of significant financial impacts which impacted the budget and manifested themselves by way of increased pressures on existing services, additional expenditure for new services and changes to ways of working, support to businesses, contractors, partners and providers as well as losses in the amounts of budgeted income. This has been partly mitigated through the provision of a range of ring-fenced and general grant funding allocations from the government in-year which have reduced the financial impact on the Council's resources. The Council's share of the un-ringfenced grant is £4.975m and has been included within the 2021-22 budget plans, specifically held to fund additional costs associated with Covid-19. No further provision has been included in the revenue budget for ongoing covid pressures although the government extended the income loss compensation for a further 3 months until the end of June 2022.

The budget included a proposed Council Tax (CTAX) increase of 1.99% together with an increase of 3% in respect of the Adult Social Care (ASC) precept which means that the total increase for the year was 4.99%. The majority of this increase will be used to fund the £4.6m additional growth for ASC included in the budget. The projected budget for the year was £171.3m and included approximately £24m in respect of business rate and covid related grants. From a Medium Term Financial Plan (MTFP) point of view it is expected that this funding, along with other core government funding such as New Homes Bonus (NHB) and Revenue Support Grant (RSG), would drop out after one year.

Locally generated resources, which were forecast to amount to over 92% of overall funding by 2022-23, are the key to building a more sustainable financial future for the Council in the longer-term. The MTFP has also included the ongoing pressures to the Council which include:

- Pay inflation

- Inflation on energy and contracts

- Increase in demand led services

- Transformation programme support

Financial sustainability

Over three years this is forecast to cost £32.2m although some of this is funded through grant income. The Council has identified £9.7m in savings across the three years of the MTFP (2021-22 to 2023-24) which has resulted in a balanced budget for 2021-22. There is however a budget gap of £7.8m in 2022-23 and £4.9m for 2023-24 which gives a total gap of £12.6m.

Outturn 2021-22

The Council delivered an underspend position for 2021-22, against the increased budget of £176.7m. The underspend achieved was transferred to the General Fund balance reserve, which increased to £9.7m at the year end, which equates to 5.5% of the net revenue budget for the year.

Several of the council's budgets have continued to be impacted by Covid-19 over the course of the past year, whether this be as a result of additional expenditure being incurred, support being given to individuals, business or contractors, or losses in planned income. Some of these outcomes have been funded by specific ring-fenced Covid grants and other areas have been funded from the council's general Covid grant, which has no conditions or restrictions. Total specific covid grant income has been received for the year is £22.5m.

Within this underspend position there are a number of variances that have impacted the final outturn. As with a number of other public sector organisations the primary pressures are in demand led services for both Children and Adults and most notable of these is the £2.2m overspend in individual care and support packages within Adult Social Care.

The Council incurred capital expenditure of £45.4m compared to the budgeted figure of £94.4m. This was largely funded from £35.7m in grants and contributions, with the remainder funded from reserves, capital receipts from the sale of assets and £2.1m borrowing. Spend equated to 48% of the planned programme, with delivery impacted by a number of factors of which the main factor was a delay in consent order for a major development.

Medium Term Financial Plan

The February 2021 MTFP models projected resources over the period 2021-22 to 2023-24. These were reported to members through the Executive and included the following:

- RSG forecast to reduce to zero in 2022-23
- new homes bonus will reduce to the year 9 legacy payment in 2022-23, then reduce to zero from 2023-24
- social care grants reduce in 2022-23 to £5.1m per annum removing the increased social care grant allocation of £0.7m in 2021-22 - recognises this is not confirmed
- business rate income to increase each year from base £31.262m in 2021-22
- council tax increases modelled at 1.99% from 2022-23 with no ASC element from 2022-23
- one off funding received in 2021-22 is removed from 2022-23 such as Covid Grant and CT support grant
- the MTFP models a £2.319m reduction in property related rental income between 2021-22 and 2023-24
- the largest single income generating scheme in the MTFP is £1.050m from the introduction of charging for garden waste in 2021-22

There is no evidence that financial plans are based on unrealistic key assumptions.

The Head of Finance confirmed that increases in taxbase and business rates are based on known growth plans and planning applications rather than generic percentages. The financial impact of the fair funding review and business rate reset are unknown in terms of impact and timing. Therefore this risk is flagged in the MTFP rather than including an arbitrary assumption. The Council does undertake financial modelling with Pixel and the possibility of including a range of financial impacts within the MTFP for information was discussed.

The cumulative budget gaps identified in the February 2021 MTFP are set out in the table below:

Cumulative budget gaps identified in the February 2021 MTFP				
Year	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Budget gap	0	7.750	4.874	12.624

The December 2021 MTFP update considers the assumptions which underpin the Council's medium-term financial plan. Previously the MTFP looked to each directorate to establish its own transformation programme which will seek to deliver service-related changes and initiatives at less cost. Assumptions continue to be made to forecast future levels of expenditure and whilst the Council can control some of its costs by managing its budget effectively, other elements are dependent upon national and economic drivers such as inflation, interest rates, pay awards and pension charges. Material changes have been made including the following:

- An increase in the cost of the Council's pay bill for its own staff because the national insurance rose by 1.25% from April 2022. It is anticipated that the government will fund this cost and so the Council are projecting an increase in funding.

Financial sustainability

- An increase in the costs of the council's energy bills following the recent procurement activity which could see an increase of 67%. To offset potential costs energy initiatives would be considered to identify ways of saving money and improving the carbon footprint
- An increase in the National Living Wage which rose by 6.6% to £9.50 in April 2022
- re-basing of income budgets, the largest of which relates to a short-fall in actual car parking income compared to the budget.

Within the December 2021 MTFP existing savings were reviewed for deliverability and to focus attention on the savings position for 2022-23 new savings proposals being identified. Thus the December 2021 MTFP considered the following changes for the 2022-23 budget:

- Removed £686k of adult social care savings
- Removed £160k of increased garden waste charges
- Reduced car parking savings from £350k to £150k.

The February 2022 MTFP shows a balanced position for 2022-23 with a budget gap of £8.911m in 2023-24 and £8.984m in 2024-25 for a total £17.895m gap. Savings within the MTFP total £4.157m for 2022-23, £730k for 2023-24 and £715k for 2024-25 (total £5.602m). No savings are identified as "to be determined". The majority of the savings set out in the MTFP relate to transformation and income generation rather than service cuts and are supported by a detailed schedule. There is little change from the savings schedule presented in December.

The MTFP refers to the continued uncertainty relating to the ongoing financial challenge and funding reviews beyond 2022-23 impacting on the financial challenge the Council is facing. The Council will continue to plan for the future and formulate strategic financial proposals to close the budget gap, which will require new savings ideas to be delivered. It is anticipated that a large proportion of these will focus on the Council's technological ambitions and transformational approach.

Taking account of the above information provides us with sufficient assurance that the Council has a clear understanding and robust plan to address medium term financial gaps.

Savings Schemes

Savings programmes are considered as an integral part of the overall budget that has become more of a focus following the increase in other areas such as inflation and increase in staff costings. Savings programmes are identified as part of the budget process and are a combination of carry forwards from the prior year and newly identified schemes. Savings are identified at a directorate level and Director's are ultimately responsible for delivery as part of managing their own bottom line.
Reporting is undertaken monthly to the Corporate Leadership team (CLT) which includes consideration of performance to date and any issues with achieving the target. Programmes are reported on savings by savings basis using the CMT packs. Prior to going to CLT all issues are discussed at Directorate leadership Team (DLT) level including any further resources or changes to the savings identified. If this cannot be resolved at a DLT level the issue is then escalated to CLT for final consideration. Where savings programmes are falling behind alternative mitigations are identified and the Director responsible is held to account. Any underspend at the year end goes to the Council surplus or deficit on delivery of services rather than being retained by the Directorate.

MTFP savings are part of the financial reporting framework. Savings are considered and discussed on a regular basis between the Executive Member, the Service Director and the Chief Executive. The S151 Officer is also part of the meeting and helps talk through the savings and any further implications.

There is a central contingency of £1.5m held by the Council which is allocated on a needs basis.

Budget proposals for savings are supported by an equality impact assessment. Draft equality impact assessments were published on the Council's website in December 2021 and a stakeholder discussion group held in January 2022 to share information around medium impact EIAs. The discussion group included representatives from citizens advice, disability access group, supportive parents and North Somerset People First. Feedback is summarised in the medium impact EIAs for Corporate Services Transformation and Churchill Sports Centre and this has informed the mitigating actions.

Discussion with the Head of Finance confirms that there is an annual all Member scrutiny workshop for the budget held in December. In 2020 there were two workshops, one in November and one in December. There was a Corporate Leadership Team / Executive informal meeting with an MTFP update 17 December 2020 with the impact of the provisional settlement and revised funding gap and investment proposals.

'The approach to generating savings is clearly set out in the MTFP update reports approved by Executive during the year

The September 2021 MTFP update proposed that financial planning will be underpinned by, and integrated with, transformation and innovation themes. Each directorate will establish its own transformation programme which will seek to deliver service-related changes and initiatives at less cost. There will also be a corporate cross-cutting programme to look at the ways in which the council works. Workshops with Directorate leadership teams were held in September to develop proposals to bring forward.

The October 2021 MTFP update report set out the MTFP strategy to balance the financial

Financial sustainability

position through a dual process, incorporating transformation and innovation within the budget planning process as well as traditional budget processes. A key stage in the MTFP financial planning process will then be to develop and integrate efficiency, transformation and savings plans into its workstreams as these often provide solutions and enable the council to close the budget gap and set a balanced budget.

Other options and solutions to facilitate a balanced budget position might include a review and challenge of areas which show increased or outlying spending plans compared to other councils (e.g. through the use of benchmarking or value for money assessments); a review of council priorities to determine where additional resources should be targeted and similarly, where resources could be withdrawn or reduced or services stopped. This work will, in part, be driven by the scale of the council's financial challenge whilst identifying transformation opportunities.

The final detailed list of savings was included in the final 2021-22 budget report presented to Executive for approval in February 2021.

The strategy of the Council is to protect front line services and generate efficiencies through transformation and income generation. Savings are monitored as part of the budget monitoring and MTFP update reports submitted to Executive during the year.

There were also financial updates to Corporate Leadership Team during the year which included tracking 2021-22 MTFP savings and the ongoing impact of Covid19.

The proposed savings identified in the December 2021 MTFP update are Red, Amber or Green (RAG) rated for deliverability and customer impact.

The 2021-22 outturn report provided a progress update on the £7.451m savings that were included in the 2021/22 base budget, with 101% of the planned savings being largely delivered in year or mitigated with other measures. The over achievement of the savings was largely due to an additional £639k revenue recognised from the introduction of garden waste charging. There was £34k red rated and £154k amber rated with the biggest discrepancy being in ASC care packages that failed to deliver and had a shortfall of £108k due to a delay in implementation of updated systems.

There are adequate arrangements in place to monitor the achievement of savings and enough information is provided to Members to allow challenge where targets are not met.

Capital Strategy and treasury management

The 2021-25 capital strategy approved in February 2021 focuses on 2021-22 due to recurring funding allocations not yet being confirmed. The total programme of £354.9m is funded from £95.6m of borrowing, £239.1m grants and contributions with the remainder coming from capital receipts, other receipts and revenue funding up to 2025.

The overall strategy includes a number of planned projects including

- £110.737m additional spend relating to transport, housing, school and social care schemes mainly grant funded and subject to confirmation of grant funding allocations.
- included in the above are schemes recommended for inclusion by the Investment and Infrastructure Board such as £1.75m Sovereign Centre business plan, £10.433m Winterstoke Road Bridge, £5.254m Locking Parkland GP Surgery and £83.685m Metro West Rail construction phase.
- £8.810m additional spend for new investment priorities that is mainly funded from borrowing including corporate and maintenance schemes relating to £2.5m asset strategy (urgent repairs to schools, leisure and depots), £1.0m accommodation strategy, £1.0m development strategy (these strategies will bring new ways of working) and £1.25m highways maintenance. Climate emergency schemes are included with £1.0m decarbonisation, £0.3m energy efficiency and £0.1m solar pilot funded from grant or invest to save.

Major capital schemes in the existing £235.4m programme include:

- £97.067m design and build of Banwell bypass and delivery of new secondary school funded by Homes England through the Housing Infrastructure Fund grant
- £11.925m design stages of Metro West rail project
- £24.785m delivery of educational services through creation of new primary schools Locking Parklands, Weston and Chestnut Grove
- £54.069m maintenance of road networks such as Weston Town Centre and the North South link road
- £10.53m disabled facility grants
- £20.0m commercial investment (2024-25)
- £10.0m commercial investment Sovereign Centre (£5m 2021-22 and £5m 2024-25)

The capital programme clearly supports corporate priorities through investment in climate strategy schemes, improving infrastructure, commercial, development and accommodation strategies and schools. Only 27% of the programme is funded from borrowing with the majority coming from grants and contributions.

The Treasury Management Strategy approved in February 2021 sets out the approaches to managing risk and includes:

Financial sustainability

Investment Strategy
Objective to balance security, liquidity and return. Majority of transactions are short term cash deposits with govt, councils and banks to prioritise security and liquidity. The Council also uses medium/long term pooled property and multi asset funds which can provide higher returns and diversification.

Non Treasury Investment Strategy
The Commercial Investment Strategy was approved in January 2019 and established a framework under which the Council could acquire a portfolio of commercial property investments to generate income. Although £100m was provisionally allocated to the strategy in the capital programme, only two assets have been acquired and there are no immediate plans to fully utilise the allocation. Returns for the Sovereign Centre have been impacted by the pandemic and the business case for this asset was considered at the February 2021 Executive.

Borrowing Strategy
A borrowing summary is provided that reflects the Capital Strategy report with a total borrowing requirement of £95.6m to 2025. It is anticipated that a significant proportion of the approved borrowing will come from the Public Works Loan Board (PWLB) or other local authorities. A forecast of the Capital Financing Requirement (CFR) is provided. The Council seeks to strike a balance between cheaper short term borrowing and long term fixed rate loans where cost is certain but higher. The strategy confirms that PWLB are no longer available to councils planning to buy investments primarily for yield. The Council intends to avoid this activity in order to retain its access to new PWLB loans.

Minimum Revenue Provision (MRP) Statement
For expenditure incurred after March 2018 MRP charges are based on the lives of individual assets financed from borrowing. The MRP charge for 2021-22 is £5.990m, made up from £0.9m supported borrowing, £4.264m prudential MRP, £0.49m former Avon County Council and £0.336m finance leases.

Budget report and treasury strategy do not provide a breakdown of interest cost or investment income budgets. The Treasury Management Strategy refers to the net capital financing cost and interest budget for 2021-22 of £10.694m.

The Treasury Outturn Report 2021-22 confirms interest earned £0.621m against a budget of £0.530m, average investment rates of return was 3.97%, additional borrowing taken out £0.3m with £7.3m repaid, with a total of £144.1m outstanding at the year end, returns for commercial investment compared to budget. Interest cost and MRP are not reported.

Commercial Strategy

The Commercial Investment Strategy was approved in January 2019 and established a framework under which the Council could acquire a portfolio of commercial property investments to generate income. Although £100m was provisionally allocated to the strategy in the capital programme, only two assets have been acquired and there are no immediate plans to fully utilise the allocation.
The investments made are:

- North Worle District Centre £40.2m (purchase 2017-18)
- Sovereign Centre £21.0m (finance lease 2018-19)

North Worle is providing a net contribution to the GF as expected, of £0.65m. The Sovereign Centre is not making a net contribution to the budget due to vacant units and the impact of the pandemic, with a net cost budgeted of £0.72m for 2021-22 after taking into account contributions to reserves and MRP on capital spend profiled in the capital programme. As set out below, the Council's 2021-22 budget is dependent on £3.6m of commercial property income and committed to £2.5m MRP/finance lease costs (not including additional MRP from capital programme spend). The analysis provided by the head of Finance of total gross commercial property I&E is that it represents 1.2% of gross service cost and income. The Council makes a £0.3m pa contribution to a smoothing reserve that can be used to manage fluctuations in commercial income.

The Sovereign Centre is part of the Council's financial strategy and place making agenda and is key to delivering change in Weston Town Centre. Executive approved the business plan in February 2021 to convert vacant retail space into new mixed use space, partly financed by a £1.7m bid from the Getting Building Fund for the workspace and cycle hub / cafe construction. There is an additional £10m in the capital programme.

The Capital Strategy 2021-22 approved in February 2021 includes £10.0m commercial investment in the Sovereign Centre (£5m 2021-22 and £5m 2024-25 plus £20.0m commercial investment (2024-25), plus £1.765m for the Sovereign Centre business plan in 2021-22. MRP of £0.28m pa is included in the revenue budget for the Sovereign Centre capital investment profiled for 2021-22. The Sovereign Centre as impaired by £17m to 4.1m in 2019-20 to reflect the ongoing challenges in the sector. Whilst this should not be a reason for ceasing investment management should ensure that the spend is proportionate to the return. The Head of Finance confirmed that the £20m general commercial investment budget for 2024-25 has been removed, and this is confirmed looking at the Capital Strategy presented to Executive 2 February 2022. The Treasury Outturn 2020-21 report confirms that the Council is not planning to purchase any investment assets primarily for yield within the next three years and can

Financial sustainability

continue to access PWLB funding. This has continued through 2021-22 and 2022-23 as the Council look to continue managing the investment properties currently in their portfolio.

The Head of Finance confirmed that the Property investment Board has been disbanded as there are no further commercial investment opportunities to consider. Performance monitoring takes place through Audit Committee. She also confirmed awareness of the requirement under the new PRU Code to review options for disposal of commercial investment when preparing future Treasury Strategies.

Reserves and risk mitigation

Section 25 of the Local Government Act 2003 requires the S151 Officer to report on the robustness of estimates within the budget and the adequacy of levels of reserves. As part of the 2022-23 budget the officer's recommended level of General Fund (GF) balance was confirmed as £11m which equates to 6.1% of the net revenue budget, and so is within the CIPFA benchmark of between 5% -10%. Due to the surplus outturn position for 2021-22 this level of GF balance was maintained at the year end. Due to the uncertainties affecting local authority budgets the Chief Financial Officer has noted that the minimum level of reserves is £9m with £11m being the ideal

The key points provided in the report which set out the S151 considerations include:

- Continuation of financial uncertainties including Covid19
- Potential unforeseen and material remediation works to infrastructure assets
- Other material contract failures
- The increasing cost and demand pressures for adult and children social care
- The risk surrounding the non-delivery of savings and exceeding investment proposals with the budget
- The extreme financial issues for the public sector arising from the prevailing and continuing national and local conditions
- S151 advice is that the 22/23 budget has been prepared robustly and is achievable and the level of reserve adequate

In the 2020-21 Auditor Annual Report we noted that that the calculation of the GF reserve requirement was supported by a broad analysis taken from the risk register and that management should consider including the supporting information within the supporting report. This was not possible for the 2022-23 budget due to the timing of the report and a review of the 2023-24 report has been undertaken. The budget has considered the 2022-23 outturn and notes that

'At the end of 2022/23 it is projected that the General Fund Balance is forecast to be £9.744m, or 5.25% of the council's net revenue budget which is within the acceptable range.'

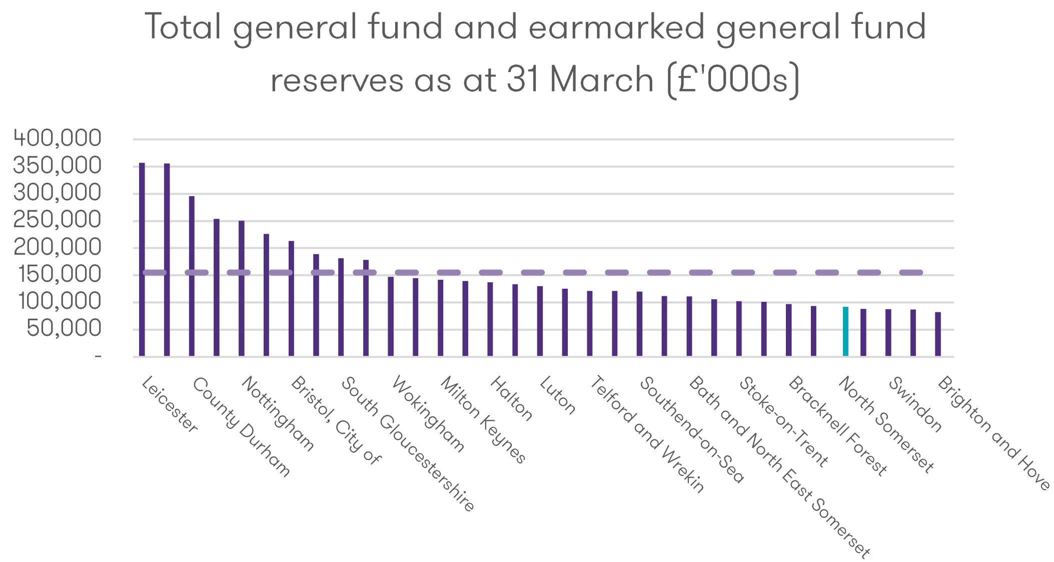
Whilst this is not an explicit calculation it is considered that sufficient detail has been provided to allow members to understand how the S151 has made their judgement

Included within the revenue reserves as at 31 March 2022 are funds that can be used to mitigate financial risk within the Council's budgets. These include:

- unallocated GF balances £9.744m
- commercial investment reserve £1.407m
- COVID-19 emergency costs reserve £0.392m
- financial risk reserve £2.796m

Additional risk mitigation measures within the 2021-22 budget include the base budget contingency which was increased by £0.5m for a total of £1.3m. There is also a one off COVID-19 cost pressure provision of £4.9m funded by government grant. The Sales, Fees and Charges Compensation Grant was extended into quarter one of 2021-22 and so is available to help mitigate any further income losses.

The graph below shows the Council's position relative to other benchmarked authorities



Balancing the 2021-22 budget was not dependent on the one-off use of reserves. There is no evidence that that the Council has eroded the level of revenue reserves at its disposal in recent years. The unallocated GF balance has increased to £9.744m having been maintained at £9.053m since 2018-19 and in total earmarked revenue reserves have increased year on year.

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 effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Risk Management and Internal Control

'The Council's approach to identifying and assessing strategic risk is set out within the Annual Governance Statement (AGS). The Council's risk management strategy describes the Council's approach to the management of risk and has been revised and updated during the year. The effectiveness of the arrangements is, in the main overseen by the Corporate Leadership Team (CLT) through the decision making process supported by Audit Committee overseeing the framework.

The Council's risk register scores risks based on the inherent likelihood, inherent impact to give an inherent risk and the residual likelihood and residual impact to give a residual risk. Each risk has a CLT lead and Lead officer as well as mitigation actions against the risk.

The Council's risk management strategy clearly sets out the arrangements in place for identifying strategic risks, understanding them and recording them. A specific covid risk register has been developed to track and manage the key risks associated with the Covid 19 pandemic.

The Audit Committee are responsible for ensuring that the risk strategy is in line with the strategic direction of the Council and this responsibility is managed through the Terms of Reference (ToR). The ToR includes

- reviewing the risk management report and making recommendations as appropriate
- regularly review the corporate risk register and make recommendations as appropriate.

We have observed, through attendance, that risk management forms a key part of the Audit Committee agenda and is fully considered.

We also note that, whilst still impacting on the overall strategy, the risk from Covid 19 has reduced and therefore it is appropriate that this is not considered as a separate item within the Audit Committee agenda.

In 2021-22 the risk register is not presented to Executive as responsibility for management and consideration is undertaken by the Audit Committee. Whilst the risk register is not reported on a regular agreed timetable there is sufficient reporting to provide assurance that risks are being addressed. The 2020-21 reporting to Audit Committee is a summary and the report included the following

- An explanation of the impact from consideration of likelihood v impact
- The theme of the risk
- the risk
- the inherent risk score (RAG rated)
- mitigating actions
- Residual risk score (RAG rated)

Governance

There is no score attributed to the risks and therefore it is not possible to identify how the risk scores have been calculated. Further there is no evidence of how strategic risks have been linked to corporate risks and there is no responsible officer identified within the report. In discussion with the Head of Business Insight, Policy and Partnerships it was confirmed that risk scores are allocated to all risks identified and that directorates are held to account in mitigating the risks. It was also noted that where a risk has been rated as red for two months running further consideration is given as to whether this then becomes a strategic risk or not.

This issue was raised in the 2020-21 AAR and the Council have subsequently addressed some of the issues within the recommendation. The risk register report has been updated to include further narrative including the split of risks by RAG rating within the strategic and directorate risk registers and what the high scoring risks are. The report now includes both the Strategic risks and the Directorate risks. It is noted that the strategic risks still do not include a nominated lead although the lead directorate is identified within the directorate risks although no named individual or title holder. It is considered there has been improvement in the process but that some issues still exist.

The Council has a range of policies in place to promote ethical behaviours amongst staff and members including whistleblowing, anti bribery and corruption and the code of conduct (included within the Council's constitution).

Internal Audit

'Internal Audit (IA) is provided by Audit West who have provided the service to the Council for a number of years. The 2021-22 audit plan was approved at the April 2021 Audit Committee. The plan is kept under review by management and the Committee in order to provide flexibility in the approach and address any issues that arise in the year. The January 2022 report notes that the impact of covid in 2020-21 required that the IA function remain fluid and that this will continue through 2021-22 and into 2022-23.

As reported in the annual IA report, only a small number of planned audits did not go ahead in 2021-22 and have been moved into the 2022-23 year. As at the year end, 92% of the audits were completed which reflects the easing of the situation following the disruption of Covid-19 and the level of additional unplanned work that was required from internal audit.

Per the annual report the Head of Internal Audit (HoIA) opinion for 2021-22 was:

'Reasonable assurance can be provided over the Council's system of internal control, helping to ensure corporate priorities can be achieved. Appropriate arrangements are operated to deter and detect fraud and investigations did not identify any systemic failures although individual issues were noted.'

The audit committee receive regular updates from Internal Audit and prior to receiving the annual report received a mid year update in November (delayed to January 2022 as a result of covid) which set out the current position. IA meet with the Audit Committee at least once a month and have increased the robustness and involvement of Audit Committee with IA.

From review of the work plan, there is no evidence of significant gaps in the assurance the audit committee has obtained over matters within the work programme. Communications between Those Charged With Governance (TCWG) and IA are good and effective. IA have regular attendance at Audit Committees (informal and formal meetings), s151 meetings, attendance at management and governance boards etc.

The Audit Committee was presented with the annual report in April 2022 which included the HoIA opinion. Of the audits completed all but two were considered to be satisfactory to excellent (between level 3 and level 5). The two issued where the overall system of internal control was considered weak (level 2) were in respect of Kewstoke Primary School and ICT - Malware/Ransomware. We have reviewed the issues identified in these reports and they do not impact on the overall VfM opinion.

Within the AGS issues relating to the Council have been identified and what actions will be taken to ensure these are addressed. Within the 2021-22 the issue is:

- The ongoing impact of the Coronavirus Pandemic including public health, local economy, financial resilience, organisational resilience, democracy and safeguarding

This is considered the overriding issue for the Council and significant commentary is provided as to how it will be addressed. This issue is in line with our understanding of the organisation and we will continue to review the disclosures going forward.

Governance

Budgetary Control

Whilst 2021-22 has seen some easing in the issues and risks presented by the Covid 19 pandemic it has still proved a challenging year in terms of recovery and ensuring that service delivery continues and that efficiencies are identified and delivered.

Budget monitoring reports are submitted regularly throughout the year to the Executive Committee with reports providing a summary of the Council's financial performance including details surrounding the issues, impacts and future pressures and risks affecting the Council. Where necessary, these also outline steps being taken to address potential short-falls in order to deliver balanced budgets for the financial year. A financial summary is prepared by each director, which is included as an appendix to the Budget report which provides more detail of significant variances. The Council has other documents which feed into the financial reports including areas such as service activity (particularly in regard to demand led services) and workforce information.

Budget reports also include detailed schedules in relation to all projects within the capital programme, including the budget for the current year, total budget over life of project, how much expenditure is incurred to date and how the schemes are being funded. In the 2020-21 AAR we noted that where there is a significant difference between the in year estimated spend as part of the approved budget and the to date monitoring and we recommended a brief comment is included within the monitoring schedule to explain the reason for this. This would then allow by members to understand at high level the reasons for the differences and allow them to raise any further questions on these schemes.

Looking at capital reporting we have noted that this was not in place in 2021-22, although this is expected given the date of the previous report, and so have reviewed reporting in 2022-23. We note that management have reported to Executive that over recent months the Capital Programme, Planning and Delivery Board (CPPD) have introduced an assessment for each of the projects within the approved programme into its monitoring process, using the Council's risk management framework.

It is not clear from the reporting to Executive how far through the process management have progressed and currently the reporting to members does not include any detailed explanation on the variances or reasons for delays in projects. It is noted that there is detailed financial information, including any reprofiling of budget, but no significant detail as to why these adjustments have been made.

Further, the 2021-22 outturn showed that 48% of the profiled spend in 2021-22 was incurred and, therefore, there was significant slippage in the overall capital programme. Whilst some of this is due to central government decisions there is scope for management to revisit the budgeting process to ensure that spend profiles are realistic.

North Somerset Environment Company

2021-22 represented the first full year of operation for North Somerset Environment Company (NSEC) who are a wholly owned limited company with responsibility for managing and delivering the Council's waste management and recycling services.

There is a close working relationship between NSEC and the NSC client (waste services) with a contract signed and in place and reviewed annually for contract price. A formal contract variation process is in place to monitor and document changes to the contract. The company is overseen by the shareholder via a shareholder board which meets regularly (every 6 weeks) and which reviews the overall financial performance of NSEC as a company at each meeting, as well as the headlines of service performance. Escalation processes are in place for both the client and the company to escalate matters to the shareholder.

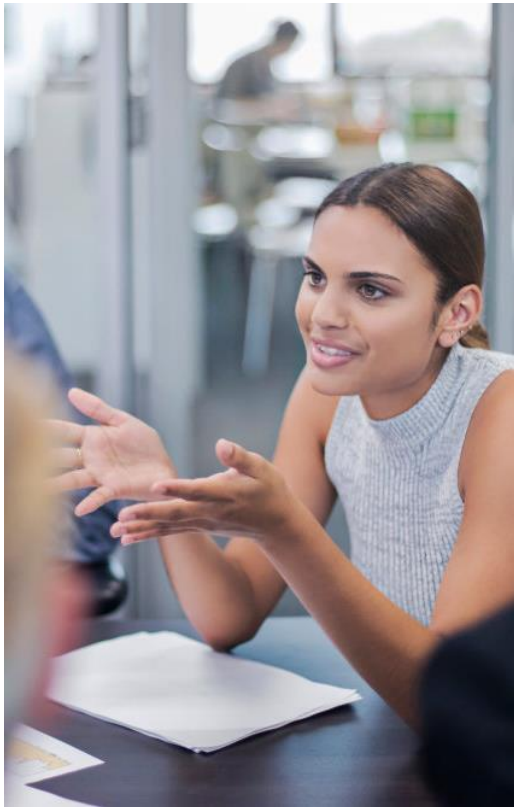
Council officers initially held positions on the NSEC Board while the company was implemented and while a recruitment process for an independent chair of the board and 2 non-executive directors was undertaken. From August/September the NSEC board will comprise 2 company directors, an independent chair, and 2 NEDs with no council officers on the board. This prevents conflicts of interest with officers who have two roles related to the company .

From a performance monitoring point of view 2021-22 was the first full year of waste services being provided by NSEC. The outturn shows a loss of £339k which has been included within the consolidated financial statements. Whilst the overall financial target is to break even the loss is not considered significant and there are regular meetings held in order to address any short comings within the overall process.

Whilst there are not detailed performance management metrics presented to Executive there are detailed performance reports that are presented to the place, policy and scrutiny panel although only from 2022-23 onwards. There are plans to provide the information to full Council but this has yet to happen and therefore there is still a risk that full review and challenge of a key service is not taking place. The same scrutiny panel is also responsible for managing the recycling and waste strategy annual update. Whilst this is not a specific review of NSEC there are a number of targets that NSEC directly manage and therefore can be seen as a proxy for performance until formal KPIs are developed. Whilst reporting to management has yet to formally happen we consider that appropriate reporting arrangements are in place.

Improvement recommendations

Governance



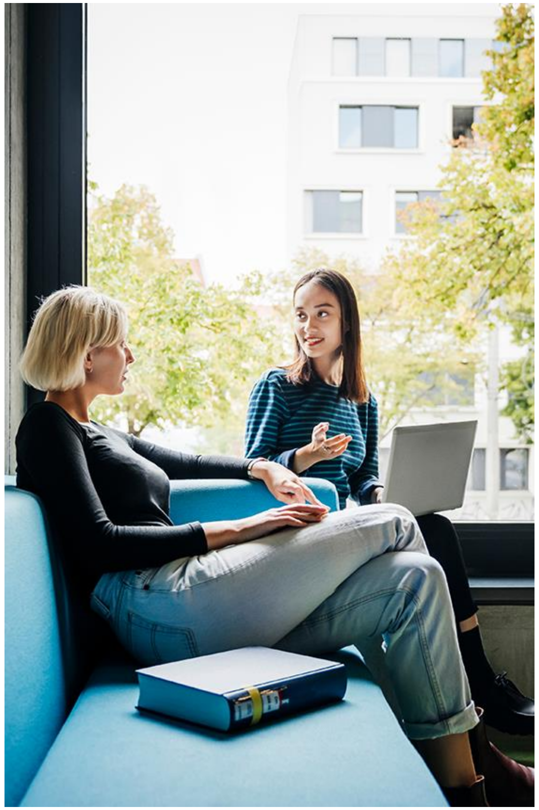
Recommendation 1	Management should review risk information presented to members and ensure sufficient information is provided
Why/impact	Risk management is key to the delivery of the overall strategic objectives of the Council and oversight and understanding of key information underpins the process. There is a large amount of data available to members but it is not clear as to how proactive individuals are in accessing this. Provision of key details such as risk scores and nominated individuals would give members a better understanding of the risks facing the Council
Summary findings	The risk register report has been updated to include further narrative including the split of risks by RAG rating within the strategic and directorate risk registers and what the high scoring risks are. The report now includes both the Strategic risks and the Directorate risks. It is noted that the strategic risks still do not include a nominated lead although the lead directorate is identified within the directorate risks although no named individual or title holder. It is considered there has been improvement in the process but that some improvement opportunities still exist.
Management Comments	We have updated our risk management strategy during 2022-23 and this was approved by the audit committee on 24 November 2022 https://n-somerset.moderngov.co.uk/documents/s4094/06%20Risk%20Management%20Strategy.pdf The strategy will be fully operational from 01 April 2023 and include nominated lead for each and five categories of risk. We consider that our new strategy will cover this recommendation and do not intend to publish individual risk scores.

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

Improvement recommendations

Governance

Recommendation 2	The Capital outturn programme showed that 48% of the programme had been spent in 2021-22 leading to a large slippage in the overall programme. Management should ensure that review of the overall budget is significantly robust and where there is a significant difference between the in year estimated capital spend, at a scheme level, as part of the approved budget, and the to date monitoring, we recommend a brief comment is included within the monitoring schedule to explain the reason for this and to ensure that large slippages are not incurred in future years
Why/impact	Large scale slippage on capital projects could lead to the Council failing to build the infrastructure required to deliver services and risk potentially losing funding allocated. Further, as in the current year, delays to projects leads to the risk of exposure to inflationary pressures causing costs to further increase. This would then allow by members to understand at high level the reasons for the differences and give them further information to then raise any further challenge questions on this.
Summary findings	Capital monitoring reports reported to members as part of the budget monitoring appendices do not include details for any significant differences between estimated spend and actual spend.
Management Comments	We have taken steps to improve the governance arrangements and clarity of financial monitoring to members throughout 2022-23 and this process is now embedding and has been recognised by both the chairs of the audit committee and PCOM scrutiny. Significant variances in the capital budget are now reported in the Executive budget monitoring reports, including narrative. We recognise that the council is experiencing significant slippage in its capital programme, in common with many other local authorities, and steps are being taken to improve the allocation of budgets to align with deliverability.



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 and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance Management

The Corporate Plan is the Council's key overarching strategic document setting out what the Council aims to achieve for local people and the area over the medium term. A new Corporate Plan was adopted at the Full Council meeting on 2020 February 2020. The Corporate Plan and Recovery was agreed in June 2020 to combine the Corporate objectives and covid recovery. Changes were made to the objectives. In June 2020 the Executive agreed its COVID-19 response and recovery and as part of that process agreed changes to its Corporate plan.

As noted previously responsibility for monitoring performance against the corporate objectives is undertaken by scrutiny panels. The suggested timeframe is to report quarterly and in 2020-21 we raised a recommendation in relation to reviewing performance in public meetings as the process was that performance was reported by email outside of the meetings. It was further noted that some scrutiny panels do not meet sufficiently regularly to report quarterly and that reporting dates do not necessarily line up with Council/Executive and that reporting into these committees may be significantly out of date. The Council have updated their process and quarterly performance reporting is undertaken to Executive although it was noted that this still does not necessarily align with the quarterly cycle. It is supported by Execs having challenge dashboards which has allowed for further discussions and challenge and there is a publicly available performance monitoring page on the Council's website. We have reviewed the scrutiny panels for review and noted the following:

- CYPS Services Policy and Scrutiny Panel - One meeting was held in 2021-22 due to covid restrictions in February 2022 where performance was discussed
- Adult Services and Housing Policy and Scrutiny Panel - One meeting held in February 2022 and no performance information discussed
- Planning - A number of meetings have been held during the year and performance was discussed at the November 2021 (Q2) and February 2022 (Q3) meetings.

Given that performance management is the responsibility of scrutiny panels there is still a question as to whether sufficient review is being undertaken. There is sufficient overall scrutiny within the Council through the performance management process and appropriate buy in and challenge by senior leadership.

The Council obtains its performance information from a range of sources and gains assurance over the accuracy of data in its performance reports through reliance on the expertise and knowledge of officers. Information is collated into a basket of performance indicators which are reviewed quarterly by a senior analyst and challenged as required.

A similar approach is taken for finance information where the Council again relies upon the knowledge and expertise of its staff to compile and challenge data.

Improving economy, efficiency and effectiveness

to compile and challenge data. The Council also relies upon managers within the Directorates to be engaged and to manage their resources and through the web-based version of Agresso are support by finance staff to accurately forecast spending throughout the year.

Each Directorate is provided with an Annual Statement and risk register to outline the priorities in line with the Corporate Plan and the specific transformational commitments and the outcomes expected. The report also includes the risk register which has a named officer and a description of the risk identified. This is reviewed on a regular basis and is used to inform the overall strategic risk register and direction of the Council

The Council does not have a data quality policy. The Council have drafted a Data and Insight Strategy which has been adopted by ICATB in the first instance and includes an action to develop and implement council-wide data quality standards.

Children's Services

In March 2020 the Council were inspected by Ofsted and received overall effectiveness - requires improvement to be good. The only area that was good was 'experiences and progress of children in care and care leavers'. This was published on the 10th June 2020. The previous inspection was in June 2017 which was also 'requires improvement to be good'. Improvement plan presented to Executive on 21 October 2020.

Children's services Joint area SEND was reinspected in May 2021. A WSoA was issued in June 2018. The Council has addressed two of the eight significant weaknesses. The report identified that sufficient progress has not been made in addressing the six remaining significant weaknesses.

Focused visit in December 2021, issued in January 2022 - the headline for this was that - little progress in the quality of social work practice to improve the experiences for children in need of help and protection since North Somerset children's services were last inspected in March 2020, when services were judged requires improvement to be good.

The Improvement Plan following the 2020 ILACS (Inspection of LA Children's Services). The actions from the plan are all contained in the Children's Support & Safeguarding Service Plan which is monitored by the Children's Services Leadership Team. There is a Quality Assurance & Performance Monitoring meeting every 2 months, chaired by the DCS which links the work of teams and the improvement plan and then there is a monthly Children & Young People's Partnership Board which includes progress reports on specific aspects of the improvement areas alongside performance monitoring. The ADS includes all the improvement activity via reporting on specific projects and relevant PIs – progress on the ADS is monitored in a quarterly meeting of Leader, Chief Executive, Lead Member & DCS and Executive.

A further review was undertaken in September 2022 which confirmed that progress was being made and there was nothing identified that hadn't already been identified as an area of concern by the Council. It was considered that there was still work to be dine in triangulating information between services and that further development of agency response to child exploitation was needed. The most recent visit was December 2022 from which the headline was that improvements made in Area One have led to stronger governance arrangements and increased awareness of the Local Area SEND strategy which allows it to be stepped down from formal monitoring.

Date	Inspectorate	Finding
August 2017	Ofsted – Children's services inspection	Requires improvement to be good
June 2018	Ofsted and Care Quality Inspection – Joint local area SEND inspection	Written Statement of Action is required because of significant areas of weakness in the local area's practice
May 2019	Ofsted - focused visit following on from the 2017 visit	Not all areas identified for improvement in 2017 had been fully addressed
March 2020	Ofsted – children's social care	The service still requires improvement to be good
June 2021	Ofsted and Care Quality Inspection – Joint local area SEND revisit	Sufficient progress was made in addressing two of eight significant weaknesses identified in 2018. Six significant weaknesses insufficient progress has been made.
December 2021	Ofsted - focused visit following on from the March 2020 visit	There has been little progress in the quality of social work practice to improve the experiences for children in need of help and protection since the last inspection
September 2022	Ofsted – focused visit following on from December 2021 visit	Progress has been made in a number of areas and a greater understanding has been identified. There are still some areas where progress is still needed
December 2022	Six month review against SEND action plan	Progress has been made in both Area 1 and Area 6 of the improvement plan. There is still considerable work to be done that will be reviewed and the next visit

Improving economy, efficiency and effectiveness

Working with Partner

The Council's corporate plan includes the importance of partners within its principles and identifies where partners contribute to the Council's objectives. The actions do name some of the specific partners such as the Local Enterprise partnership and the West of England Combined Authority, but did not always directly name the relevant partnership. And the Corporate Plan includes the priority '*Partnerships which enhance skills, learning and employment opportunities. And Collaborate with partners to deliver the best outcomes.*'

The governance relating to the partnerships in which the Council is involved varies and depends on the nature of the partnership and the involvement of members and therefore the information they receive will differ.

Alongside the process set out previously for NSEC the Council has a strategic partnership with Liberata and Agilisys, who have been the Council's strategic partner since 2010. they provide much of the Council's support services such as ICT, and the revenue and benefits service. Performance is monitored through KPIs and the Council has a defined set of KPIs for each year of the contract.

The results are presented monthly in the form of a monthly report and annual dashboard. Additionally, more detailed monthly performance meetings are held for each of the services.

We have previously recommended that the Council would benefit from defining its significant partnerships and developing a register that identifies the contribution that the partnerships makes to the Council's corporate objectives. We are aware that management are looking at how this can be best managed and that it has formed part of the ongoing partnership team workplan.

Procurement

The Council has a procurement strategy which is available on the Council's website. The Strategy is the responsibility of the Strategic Procurement Group and is responsible for reviewing the strategy and progress against the targets. The procurement and contract procures rules are contained within the Council's constitution.

We are aware that the Council has taken action to address under performance by third parties. The set up of North Somerset Environment Services Limited is an example where measures were taken to address under performance of the Council's existing waste service.

The Council has outsourced a large proportion of its support services to Liberata and Agilisys, who have contracted with the Council's since 2010. They provide much of the Council's support services such as ICT, and the revenue and benefits service. Performance is monitored through KPIs and the Council has a defined set of KPIs for each year of the contract. Performance is reported monthly and an annual dashboard is produced. Detailed monthly performance meetings are held for each of the services by the relevant service lead.

Budget reports also include detailed schedules in relation to all projects within the capital programme including the budget for the current year, total budget over life of project, how much expenditure is incurred to date and how the schemes are being funded.

Project and programme management arrangements are adopted depending on the size of the capital project.

As pe the 2021-22 outturn report, there are a number of projects that have been delayed and we have noted that there have been issues with the Clevedon Active travel project which had an initial budget of £200, 520 and as at December 2022 the projected spend is £1.3m. This is as result of a number of actions including:

- Changes to scope and quality expectations including higher quality materials and inclusion of 20 mph zones
- Greater engagement with the community as a result of the project being considered contentious. This has resulted in the design being frequently amended and resulted in a number of delays
- Inflationary costs that have been exacerbated by the delay in the projects.

Whilst the costs have increased the Council have been able to allocate funding from the City Deal Funding and are forecasting that they are going to overspend by £169,000. We have raised a recommendation that for future projects greater scoping and consultation could potentially prevent scope creep and ensure value for money.

Benchmarking

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.

Improving economy, efficiency and effectiveness

Benchmarking was undertaken as part of our VfM work. We used our management tool 'CFO Insights' and compared the units costs for a range of services. This identified Adult Social Care costs as high in comparison to benchmarked authorities and within that three areas where the unit costs were very high in comparison to other unitary councils:

- Learning Disability support – adults (18-64)
- Mental Health support – adults (18-64)
- Physical support – adults (18-64)

This is reflective of the overall challenges facing the provision of demand led services across all providers within the sector. There are a number of factors that the Council face which have contributed to these costs including:

- Costs associated with clients who transition from Children's Services into Adult Services with complex needs and spend in this area has outstripped other costs
- Packages of care have increased as a result of the backlog in elective care especially around those people who require joint replacement
- There is significant growth in inflation and also changes in demand demographics
- Increases in complexity due t deterioration of current clients. This includes issues such as people in care who develop dementia and an increase in cost does not mean more in recovered funds

These are symptomatic of the overall picture where unit costs for over 65's are low, which is supported by the benchmarking analysis, and under 65's is high due to capacity and market options.

There is also an element of benchmarking undertaken by the Council through their performance management process. Benchmarked information in the published dashboards includes regional and national benchmarking in areas such as the out of work population and earnings by place of work.

Members are provided with benchmark information through the performance update reports which includes a mixture of local and national targets. These are RAG rated to provide a predicted year end status and a direction of travel.

It is considered that members are provided with suitable benchmarking information to provide assurance over performance and to allow challenge of any service that is not meeting expectations

Improvement recommendations

Improving economy, efficiency and effectiveness

Recommendation 3	Scrutiny performance management is the responsibility of scrutiny panels to ensure that corporate strategies are being fully implemented. Management should consider whether the current level of scrutiny is sufficient to meet these requirements
Why/impact	Failure to address sub standard performance in a timely manner can lead to further issues impacting the Council at a later date. Whilst the forum for scrutiny is considered appropriate there is an insufficient number of meetings to effectively discharge this duty and therefore issues may not be properly addressed
Summary findings	As noted previously responsibility for monitoring performance against the corporate objectives is undertaken by scrutiny panels. The suggested timeframe is to report quarterly and in 2020-21 we raised a recommendation in relation to reviewing performance in public meetings as the process was that performance was reported by email outside of the meetings. It was further noted that some scrutiny panels do not meet sufficiently regularly to report quarterly and that reporting dates do not necessarily line up with Council/Executive and that reporting into these committees may be significantly out of date Given that performance management is the responsibility of scrutiny panels there is still a question as to whether sufficient review is being undertaken.
Management Comments	The council has a finite amount of resources and must make decisions on how these are allocated to ensure that it can discharge all of its various statutory duties and has determined that sufficient resources have been allocated to ensure that an effective scrutiny function is in place, although recognises that this does not always provide for formal meetings to be held on a regimented quarterly basis. It should be noted that scrutiny activity is often considered within informal working groups and subject matter briefings and the council is assured that an overall level there is sufficient oversight of performance matters. Efforts will be made to review the timescales of meetings and ensure that the most relevant and up to date information is considered.

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

Improvement recommendations

Improving economy, efficiency and effectiveness

Recommendation 4	Management should ensure that all capital projects are appropriately scoped and that full consideration is given to potential impacts on both the delivery timeframe and the overall costs of the project
Why/impact	Failure to appropriately and accurately scope capital projects could lead to significant overspends on both an individual project and overall budget level meaning the Council may not be able to provide the infrastructure needed to deliver services
Summary findings	As pe the 2021-22 outturn report, there are a number of projects that have been delayed and we have noted that there have been issues with the Clevedon Active travel project which had an initial budget of £200, 520 and as at December 2022 the projected spend is £1.3m. Whilst the costs have increased the Council have been able to allocate funding from the City Deal Funding and are forecasting that they are going to overspend by £169,000. We have raised a recommendation that for future projects greater scoping and consultation could potentially prevent scope creep and ensure value for money.
Management Comments	The introduction of the Capital Programme Planning and Delivery Board (CPPD) from 2021/22 has brought about a series of improvements in terms of governance, oversight and monitoring associated with capital projects. This includes measures to review and track issues individual schemes as well oversight of the entire programme. Given the timescales associated with the creation of this Board it is not possible to retrospectively review the scope and funding for each project although has put in place measures to ensure that new projects are reviewed in detail prior to their approval. It has established a reporting framework to ensure that all projects are reviewed consistently throughout the year and also that issues are escalated and highlighted to the Board more frequently so that interventions and solutions can be discussed. The Board continues to update its underlying processes to ensure that it considers all types of risks and issues, this includes the recent change for project managers to understand and report on 'project creep' so that the Board can determine movements from the original scope. Whilst this area is still being fully embedded, significant change has already been delivered and improvements will continue to be made.

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

Opinion on the financial statements

Audit opinion on the financial statements

We gave an unqualified opinion or we qualified the opinion on the Council's financial statements on 1 February 2022.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 26 March 2023.

Whole of Government Accounts

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

Our work did not identify any issues

Preparation of the accounts

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

Issues arising from the accounts:

The key issues were:

- Testing identify a journal that was authorised by a member of staff that was no longer employed by the Council. This was due to the journal being an automatic interface and we recommended that management review the process for removing staff no longer employed
- Payroll services are provided by an external provider and we were unable to gain assurance over the completeness of the data. Alternative procedures were undertaken to get this assurance.
- The IT audit undertaken in 2019-20 identified one significant control deficiency in relation to segregation of duty. Management have not yet addressed the issue and this directly impacted our journal methodology

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

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

Appendices

Appendix A – Responsibilities of the Council

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

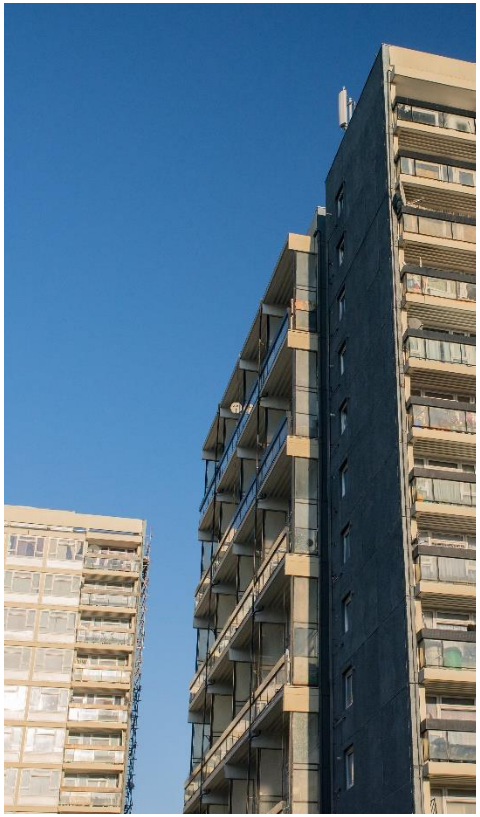
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

The Chief Financial Officer (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 (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B – 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
Financial sustainability was not identified as a potential significant weakness. See pages 6 to 12 for further consideration	No additional procedures undertaken	No significant weaknesses identified	Appropriate arrangements in place, and one improvement recommendation raised.
Governance was not identified as a potential significant weakness. See pages 14 to 16 for further consideration	No additional procedures undertaken	No significant weaknesses identified	Appropriate arrangements in place, and four improvement recommendations raised.
Improving economy, efficiency was not identified as a potential significant weakness. See pages 21 to 23 for further consideration	No additional procedures undertaken	No significant weaknesses identified	Appropriate arrangements in place, and two improvement recommendations raised.

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.	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	Governance pgs. 16 - 17 Improving Economy, Efficiency and Effectiveness pgs. 22 – 23

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