

Supplementary Papers for Audit and Governance Committee – Urgent Item

Date: Thursday, 27 November 2025



7. External Auditor - Auditor's Annual Report 2024/25 (Value for Money arrangements report)

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The External Auditor, Grant Thornton for BCP Council, is required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness its use of resources.

Auditors are required to report their commentary under specific criteria, namely financial sustainability, governance and improving economy, efficiency and effectiveness. They are required to report on any significant weaknesses they identify.

The 2024/25 Interim Annual Report provides the following assessment:

Criteria	2024/25 Assessment of arrangements
Financial sustainability	<div>R</div> <div>We have reviewed the previous significant weaknesses and key recommendations and updated our assessment and concluded that, as the weaknesses are all founded on the increasing DSG deficit, its impact on cashflow and the lack of reserves to manage this deficit, it was more appropriate to combine these into a single significant weakness and key recommendation.</div>
Governance	<div>A</div> <div>No significant weaknesses in arrangements identified, but four improvement recommendations made to support the Council in improving arrangements for treasury management, officer complaints, lessons learnt reporting and Council-owned companies.</div>
Improving economy, efficiency and effectiveness	<div>R</div> <div>One significant weaknesses in arrangements remains for the statutory direction in relation to SEND (special education needs and disabilities) service and a key recommendation made. The Council has significantly improved its Ofsted rating to 'Good', so our previous key recommendation has been addressed.</div>

Two key recommendations have been raised in relation to the cumulative DSG deficit and the statutory direction in relation to SEND. A further four improvement recommendations have been made. The Council has provided the External Auditor with management responses to all the recommendations.

PLEASE NOTE:

In accordance with the Constitution Part 4D Procedure Rule 7.2, the Chair of the Committee has agreed to deal with this item of business as matter of urgency. In accordance with Procedure Rule 13.4.4, the deadline for the submission of public questions on this item is midday on Wednesday 26 November.

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AUDIT AND GOVERNANCE COMMITTEE



Report subject	External Auditor - Auditor's Annual Report 2024/25 (Value for Money arrangements report)								
Meeting date	27 November 2025								
Status	Public Report								
Executive summary	<p>The External Auditor, Grant Thornton for BCP Council, is required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness its use of resources.</p> <p>Auditors are required to report their commentary under specific criteria, namely financial sustainability, governance and improving economy, efficiency and effectiveness. They are required to report on any significant weaknesses they identify.</p> <p>The 2024/25 Interim Annual Report provides the following assessment:</p> <table border="1"> <thead> <tr> <th>Criteria</th><th>2024/25 Assessment of arrangements</th></tr> </thead> <tbody> <tr> <td>Financial sustainability</td><td>R We have reviewed the previous significant weaknesses and key recommendations and updated our assessment and concluded that, as the weaknesses are all founded on the increasing DSG deficit, its impact on cashflow and the lack of reserves to manage this deficit, it was more appropriate to combine these into a single significant weakness and key recommendation.</td></tr> <tr> <td>Governance</td><td>A No significant weaknesses in arrangements identified, but four improvement recommendations made to support the Council in improving arrangements for treasury management, officer complaints, lessons learnt reporting and Council-owned companies.</td></tr> <tr> <td>Improving economy, efficiency and effectiveness</td><td>R One significant weaknesses in arrangements remains for the statutory direction in relation to SEND (special education needs and disabilities) service and a key recommendation made. The Council has significantly improved its Ofsted rating to 'Good', so our previous key recommendation has been addressed.</td></tr> </tbody> </table> <p>Two key recommendations have been raised in relation to the cumulative DSG deficit and the statutory direction in relation to SEND.</p> <p>A further four improvement recommendations have been made. The Council has provided the External Auditor with management responses to all the recommendations.</p>	Criteria	2024/25 Assessment of arrangements	Financial sustainability	R We have reviewed the previous significant weaknesses and key recommendations and updated our assessment and concluded that, as the weaknesses are all founded on the increasing DSG deficit, its impact on cashflow and the lack of reserves to manage this deficit, it was more appropriate to combine these into a single significant weakness and key recommendation.	Governance	A No significant weaknesses in arrangements identified, but four improvement recommendations made to support the Council in improving arrangements for treasury management, officer complaints, lessons learnt reporting and Council-owned companies.	Improving economy, efficiency and effectiveness	R One significant weaknesses in arrangements remains for the statutory direction in relation to SEND (special education needs and disabilities) service and a key recommendation made. The Council has significantly improved its Ofsted rating to 'Good', so our previous key recommendation has been addressed.
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Improving economy, efficiency and effectiveness	R One significant weaknesses in arrangements remains for the statutory direction in relation to SEND (special education needs and disabilities) service and a key recommendation made. The Council has significantly improved its Ofsted rating to 'Good', so our previous key recommendation has been addressed.								
Recommendations	<p>It is RECOMMENDED that Audit & Governance Committee notes:</p> <ul style="list-style-type: none"> The findings, recommendations and management comments in relation to the External Auditor's Annual Report 2024/25 (Value for Money arrangements report). 								
Reason for recommendations	To ensure that the Audit & Governance Committee are fully informed of the findings of the Council's external auditor following								

	their Annual Report for the years ended 31 March 2025 as set out in the report (Appendix 1) attached.
Portfolio Holder(s):	Mike Cox, Portfolio Holder for Finance
Corporate Director	Aidan Dunn
Report Authors	Nigel Stannard nigel.stannard@bcpcouncil.gov.uk Head of Audit & Management Assurance (Chief Internal Auditor)
Wards	Council-wide
Classification	For Information

Background

1. Under the National Audit Office Code of Audit Practice, the external auditor is required to report whether, in their opinion, the group and Council's financial statements:
 - a. give a true and fair view of the financial position of the group and the Council and their income and expenditure for the year; and
 - b. have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.
2. In addition, the external auditor is required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. External auditor's report their findings in this area in their Auditor's Annual Report sometimes referred to as the Value for Money conclusion, under the following three areas:
 - Financial Sustainability.
 - Governance
 - Improving Economy, Efficiency and Effectiveness.
3. The Auditor's Annual Report (2024/25) is attached at Appendix 1. It sets out the findings of Grant Thornton following their audit work to date. The External Auditor emphasises that the report is open to revision to the point at which the audit of the financial statements is concluded.
4. Appendix 1 also includes the Council's management response to issues and recommendations made.
5. The 2024/25 audit of the Council's financial statements is on-going.

Auditor's Annual Report 2024/25 - Value for Money arrangements and key recommendations

6. The conclusions of the External Auditor are summarised as follows:

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	R Three significant weaknesses in arrangements identified, one retained from 2022/23 and two identified in 2023/24. One improvement recommendation retained from 2022/23.	Three risks of significant weakness identified in relation to: DSG deficit, cashflow and the level of reserves.	R We have reviewed the previous significant weaknesses and key recommendations and updated our assessment and concluded that, as the weaknesses are all founded on the increasing DSG deficit, its impact on cashflow and the lack of reserves to manage this deficit, it was more appropriate to combine these into a single significant weakness and key recommendation.
Governance	A No significant weaknesses identified; three improvement recommendations, two retained from 2022/23 and one raised in 2023/24.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, but four improvement recommendations made to support the Council in improving arrangements for treasury management, officer complaints, lessons learnt reporting and Council-owned companies.
Improving economy, efficiency and effectiveness	R Two significant weakness in arrangements identified, one key recommendations raised in 2023/24 and one key recommendation retained from 2022/23.	Two risks of significant weakness identified in relation to: statutory direction on the Council's SEND service and the 'inadequate' rating for children's services from Ofsted.	R One significant weaknesses in arrangements remains for the statutory direction in relation to SEND (special education needs and disabilities) service and a key recommendation made. The Council has significantly improved its Ofsted rating to 'Good', so our previous key recommendation has been addressed.

G No significant weaknesses or improvement recommendations.
A No significant weaknesses, improvement recommendation(s) made.
R Significant weaknesses in arrangements identified and key recommendation(s) made.

7. The two significant weaknesses identified by the External Auditor results in the following key recommendations:

Recommendation	Relates to	Management Actions
KR1 The Council should: <ul style="list-style-type: none"> • update its DSG management plan and ensure the actions are embedded and monitored. Further action should be identified if the current actions are not having the impact as intended to ensure action is taken at pace • continue to monitor the impact of the DSG deficit on the cashflow position • ensure it monitors and manages the level of reserves and increase its level of reserves where possible. 	Financial sustainability (pages 16 – 20)	Actions: The DSG management plan will be updated. A new partnership governance of the DSG will be established to monitor activity against impact. The monitoring of the cashflow position against the deficit will continue. The levels of reserves will be monitored and increased where possible. Responsible Officer: Corporate Director for Children's Services and the Director of Finance Due Date: March 2026
KR2 The Council should address the weaknesses identified by a recent statutory direction in relation to the SEND (special education needs and disabilities) service. Raised in 2023/24	Improvement economy, efficiency and effectiveness (pages 29 – 30)	Actions: The improvement plan for the SEND service will continue to be monitored through the partnership arrangements and through the SEND Board chaired by the DfE. Responsible Officer: Corporate Director for Children's Services Due Date: March 2026

8. In addition, four improvement recommendations were made, shown on pages 33 and 34 of Appendix 1.
9. Management comments have been provided for all recommendations.
10. Of the five key recommendations made in 2023/24 (see Appendix 1 page 36 – 37), four have been partially implemented and one is now complete.

Options Appraisal

11. An options appraisal is not appropriate for this report.

Summary of financial implications

12. A number of findings and recommendations directly relate to the financial sustainability of the Council.

Summary of legal implications

13. There are no direct legal implications from this report.

Summary of human resources implications

14. There are no direct human resources implications from this report. The financial implications above may have a resulting impact on human resource levels.

Summary of sustainability impact

15. There are no direct sustainability impact implications from this report.

Summary of public health implications

16. There are no direct public health implications from this report.

Summary of equality implications

17. There are no direct equality implications from this report.

Summary of risk assessment

18. The Auditor's Annual Report identified a number of risks which were considered as part of the management comments. Where appropriate, these will be further considered as part of the wider risk management review process and necessary mitigations agreed,

Background papers

None

Appendices

Appendix 1 – External Auditor – Auditor's Annual Report on Bournemouth, Christchurch and Poole Council (Interim Annual Report – year ending 31 March 2025)

Bournemouth, Christchurch and Poole Council

Interim Auditor's Annual Report
Year ending 31 March 2025

14 November 2025

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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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01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for Bournemouth, Christchurch and Poole Council during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Auditor's powers

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

- Statutory Recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR)

Value for money







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 (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come 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. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Local government – context

Local government has remained under significant pressure in 2024/25

National	Past	Present	Future
 <p>Funding Not Meeting Need</p> <p>The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.</p>	 <p>Financial Sustainability</p> <p>Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.</p>	 <p>Funding Reform</p> <p>The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.</p>	
 <p>Workforce and Governance Challenges</p> <p>Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.</p>	 <p>External Audit Backlog</p> <p>Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.</p>	 <p>Reorganisation and Devolution</p> <p>Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.</p>	

Local

The Council is a unitary council with a population of approximately 409,000 and was formed on the 1 April 2019 following complex reorganisation combining the services of the county council and three district councils. 2024/25 is its fifth year of operation and like other local authorities the Council has faced significant financial and governance challenges. The Council was issued with a Non-statutory Best Value notice in 2023 and has been successful in having this lifted in September 2024. The Dedicated School Grant (DSG) increasing costs and cumulative deficit is the Council’s most significant financial challenge and the Council has been in dialogue the Ministry of Housing, Communities and Local Government and the Department for Education.

It is within this context that we set out our commentary on the Council’s value for money arrangements in 2024/25.

02 Executive Summary

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Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council's arrangements is set out below. Further detail can be found on the following pages.

Criteria		2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
13	Financial sustainability	R Three significant weaknesses in arrangements identified, one retained from 2022/23 and two identified in 2023/24. One improvement recommendation retained from 2022/23.	Three risks of significant weakness identified in relation to: DSG deficit, cashflow and the level of reserves.	R We have reviewed the previous significant weaknesses and key recommendations and updated our assessment and concluded that, as the weaknesses are all founded on the increasing DSG deficit, its impact on cashflow and the lack of reserves to manage this deficit, it was more appropriate to combine these into a single significant weakness and key recommendation.
	Governance	A No significant weaknesses identified; three improvement recommendations, two retained from 2022/23 and one raised in 2023/24.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, but four improvement recommendations made to support the Council in improving arrangements for treasury management, officer complaints, lessons learnt reporting and Council-owned companies.
	Improving economy, efficiency and effectiveness	R Two significant weakness in arrangements identified, one key recommendations raised in 2023/24 and one key recommendation retained from 2022/23.	Two risks of significant weakness identified in relation to: statutory direction on the Council's SEND service and the 'inadequate' rating for children's services from Ofsted.	R One significant weaknesses in arrangements remains for the statutory direction in relation to SEND (special education needs and disabilities) service and a key recommendation made. The Council has significantly improved its Ofsted rating to 'Good', so our previous key recommendation has been addressed.

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendation(s) made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Financial sustainability

In 2024/25, the Council delivered a £1.2m revenue underspend. The capital budget was reduced in-year to £110m from £148m with final spend of £90.7m (82%). The Council has set a balanced budget for 2025/26. The Medium-Term Financial Plan (MTFP) has been regularly reviewed and reported to Cabinet in 2024/25 and into 2025/26. The financial risks faced by the Council have also been clearly communicated to members.

The Council remains under significant financial pressure and is not financially sustainable. Its Dedicated Schools Grant (DSG) cumulative deficit continued to significantly increase in 2024/25 to £113.3m and is expected to be £180m at the end of 2025/26. Whilst usable reserve levels have increased to £87m (earmarked and unearmarked reserves) they remain considerably below the cumulative DSG deficit. The DSG deficit also continues to have a negative impact on the Council's cashflow position. The cost of this is estimated to be £4.7m in 2024/25 and £7.5m in 2025/26. The Council has negotiated a temporary solution with the Government and can borrow short term within its Treasury Management powers above its Capital Finance Requirements. We have identified these issues as a significant weakness and have raised a key recommendation, which has been accepted by Management, see pages 19 and 20.



Governance

The Council had arrangements in place to identify and manage risks. Budget setting and monitoring arrangements were appropriate. Treasury management reporting could be enhanced by including comparisons to previous periods on the level of short-term borrowing, and we raise an improvement recommendation on page 25. In September 2024 the non-statutory Best Value Notice was lifted following completion of the required actions.

In 2024/25 we established that the Council had a range of policies, codes of conduct and a protocol for councillor/officer relations in place. We raise an improvement recommendation to expand the Constitution to ensure it is consistent with the Joint Negotiating Committee's guidance, and for the Council to strengthen its governance of Council-owned companies. See pages 26 and 27.

The Council's Audit and Governance Committee has scoped and commissioned a lessons learnt review of BCP Future Places Ltd. An initial report has been issued, but a full report with recommendations has not been issued. We recommend the Council should develop an action plan in response to this review, once Internal Audit have completed their investigations.

The Council's latest Procurement and Contract Management Strategy was approved by Cabinet in September 2024 and included the requirements of the 2023 Procurement Act.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Improving economy, efficiency and effectiveness

In 2024/25, corporate performance was reported quarterly to Cabinet. Performance metrics were RAG-rated and under performance required Exception Performance Reports to be provided.

In December 2024, the Council received a 'Good' Ofsted rating following an inspection of its Children's Services. This is a great improvement and demonstrates strong commitment by the Council to address previously identified weaknesses and improve the assessment by two gradings from the previous rating of 'inadequate'. Our previous assessment of a significant weakness in arrangements is therefore no longer in place.

In 2023/24 the Council was issued with a statutory direction in relation to its SEND (special education needs and disabilities) services. Whilst there is evidence that the Council has made some progress in addressing the statutory direction, further progress is required to remove this statutory direction. There are several unfinished actions, one action has not yet been started and performance against the Improvement Plan remains inconsistent. Consequently, the significant weakness and key recommendation in relation to this remains in place, see page 32.

The Council had adequate arrangements for procurement and commissioning activity although, the Council recognise its contract monitoring arrangements could be improved further. Improvements identified will be addressed through its delivery plan supporting the Procurement and Contract Management Strategy and we do not consider the need to raise an improvement recommendation.



Executive summary – auditor’s other responsibilities

This page summarises our opinion on the Council’s financial statements and sets out whether we have used any of the other powers available to us as the Council’s auditors.

Auditor’s responsibility	2024/25 outcome
Opinion on the Financial Statements	Our audit of your financial statements is in progress.
Use of auditor’s powers	<p>We have not made any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.</p> <p>We have not made an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014.</p> <p>We have not made an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.</p> <p>We have not identified any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.</p>



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

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Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

Our work on the financial statements audit is in progress.

The full opinion is included in the Council's Annual Report for 2024/25, which can be obtained from the Council's website.

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

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

To be added on completion of financial statements audit.

Audit Findings Report

We will report the detailed findings from our audit in our Audit Findings Report

Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Our review of the annual governance statement is in progress.



04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

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. Council's 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 (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

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Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and budget management, risk management, and making 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.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
22 identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>The Council has delivered a positive revenue position in 2024/25, generating a surplus of £1.2m. The capital budget was reduced in-year to £110.2m from £148.0m with final spend of £90.7m (82%). The Council has set a balanced budget for 2025/26, with reasonable assumptions within the Medium-Term Financial Plan (MTFP). The MTFP has been regularly reviewed and reported to Cabinet in 2024/25 and into 2025/26.</p> <p>The cumulative DSG deficit and the impact on the Council’s cashflow position is a significant financial pressure. The DSG deficit continues to increase and was £113.3m at the end of 2024/25 and is expected to be £180.0m at the end of 2025/26. This is considerably above existing reserve levels, which increased in 2024/25 to £87.0m (earmarked and unearmarked reserves). The cashflow impact was estimated to be £4.7m in 2024/25 and £7.5m in 2025/26. Government has advised the Council that it can temporarily borrow within its Treasury Management powers to fund any DSG deficit over its Capital Finance Requirements (CFR) in 2025/26. It has not yet exceeded its CFR limit.</p> <p>In 2023/24 we raised three key recommendations relating to the DSG deficit, cashflow and the need to build up its reserves. The Council has made progress in replenishing its reserves, but is not yet able to contain its DSG spend and the impact that the deficit is having on cashflow. Therefore, the significant weakness within financial sustainability remains, but we have only raised one key recommendation on page 20 as whilst a similar position remains, this is all founded on the same issue of the DSG spend.</p>	R

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Council:		Commentary on arrangements	Rating
23	plans to bridge its funding gaps and identify achievable savings	<p>The Council has a good track record of delivering a high proportion of their savings target, and this trend has continued into 2024/25. The 2024/25 revenue budget included delivery of £38.0m of itemised service and transformation savings and the Council delivered £32.3m in savings (86%). The Council’s transformation investment programme was agreed by Cabinet in February 2024. This relates to a new operating model and included efficiencies from processes inherited from the legacy councils. The £38.0m savings target included a budget of £13.5m for transformation and the Council delivered £9.5m (70%).</p> <p>The Council has proposed £7.8m savings to support the delivery of the 2025/26 budget, this is a substantial decrease from the required target in previous years and previous performance indicates this target should be achievable.</p>	G
	plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The BCP Corporate Strategy was adopted by the Council in January 2024. The new Corporate Strategy provides a simplified strategic framework, establishing a single set of key priorities and ambitions for the Bournemouth, Christchurch, and Poole area. In setting the budget for 2025/26, it was critical for the Council that consideration was given to the vision and ambitions of the Council, to ensure that the organisation commits its limited resources in accordance with its priorities. The Council has a good understanding of discretionary spend, and the sustainability of discretionary spend is considered within its reporting.</p>	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system</p>	<p>The Council had several strategies in place which underpin assumptions within the 2025/26 budget, these include the People and Culture Strategy 2023-27, Strategic Asset Management Plan 2025-2030 and the Climate Action Strategy 2023 to 2028. These strategies support the Council’s vision for the future.</p> <p>The Capital Investment Programme for 2025-2030 details the upcoming capital programmes, the funding requirements for the projects and how these have been built into the budget. Capital budget monitoring was included in the quarterly budget monitoring reports provided to Cabinet.</p>	G
<p>identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans</p>	<p>The budget was subject to regular review in the form of quarterly budget monitoring reports taken to Cabinet. Cost pressures identified throughout the year are communicated within these reports, and mitigating actions are presented. The Council undertakes scenario planning and sensitivity analysis, and this is evident within the MTFP updates taken to Cabinet.</p> <p>The Council has, and continues to, actively address financial risks and has a well structured MTFP, but challenges remain, particularly in addressing the funding gaps across the medium-term and ensuring ongoing medium-term financial sustainability. The S151 officer has ensured that Cabinet have been kept up to date with the risks posed by its financial challenges and the Council’s regular correspondence with the MHCLG and DfE, as highlighted on page 19.</p>	G

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- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability (continued)

Significant weakness identified in relation to financial sustainability

Key Finding: The DSG cumulative deficit has increased significantly in recent years to £113.3m at the end of 2024/25 and is expected to be £180.0m at the end of 2025/26. This increasing deficit is a result of increasing demand and in response to the improvements required to address the statutory SEND directive (more details are set out on page 29.) This DSG deficit had, and continues to have, a detrimental impact on the Council cashflow position.

Evidence: The Council had explored being part of the Safety Valve programme in 2023 but an agreement could not be reached with the Department for Education to find a long-term solution. The 15-year management plan was developed as part of this process. The Council is putting in place initiatives to change the trajectory of the deficit, these include:

- development of early intervention and support to reduce the numbers requiring an EHCP, early years support;
- increased sufficiency, within mainstream and post-16 and also a capital grant for a free school;
- looking at the post-16 and 18 offer, such as internships; and
- pre-16 vocational offer, working with local colleges.

These initiatives are in the initial stages of implementation and should start to have greatest impact in 2025/26.

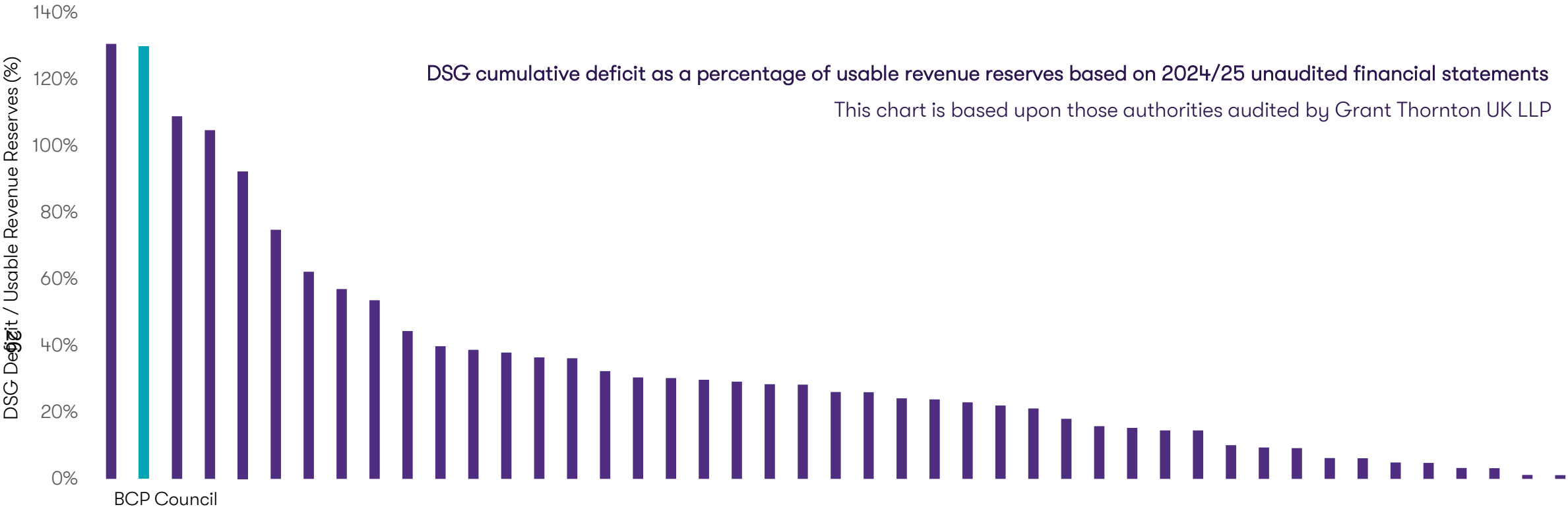
The Council does not have sufficient reserves should the statutory override be removed. At 31 March 2025, the Council had £87m in usable reserves (£27.3m in general fund reserves and £55.7m in earmarked reserves).

The level of reserves compared to the Council's level of usable spend is illustrated on the next page.

The cashflow impact is estimated to be in the region of £4.7m in 2024/25 and a further £7.5m in 2025/26. In order to manage this impact, the Council applied for a capitalisation directive to cover the £DSG deficit in 25/26. This was rejected but the MHCLG agreed an increase in their temporary borrowing.

Impact: If the Council is unable to effectively manage its DSG deficit and the impact on its cashflow, the Council may require a capital directive or may have to issue a S114 notice.

Financial sustainability (continued)



Key recommendation 1

KR1: The Council should:

- update its DSG management plan and ensure the actions are embedded and monitored. Further action should be identified if the current actions are not having the impact as intended to ensure action is taken at pace
- continue to monitor the impact of the DSG deficit on the cashflow position
- ensure it monitors and manages the level of reserves and increase its level of reserves where possible.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>The Council has arrangements in place to manage its strategic risks. The Council’s latest Risk Management Policy was agreed by the Audit and Governance Committee in March 2025 and this committee regularly reviewed the Corporate Risk Register. In August 2023 the Council was issued with a Best Value Notice, the Council has completed the required actions listed within the Best Value Notice Action Plan and the notice was lifted in September 2024.</p> <p>The Internal Audit function reported quarterly to the Audit and Governance Committee and provided progress against the 2024/25 Audit Plan. The opinion of the Chief Internal Auditor for 2024/25 stated that effective arrangements were in place across a range of governance, internal control, fraud deterrent and detection services and risk management arrangements.</p>	G
27 approaches and carries out its annual budget setting process	<p>The budget setting process began in July 2024, and key dates were communicated at this point. The 2025/26 budget was scrutinised by the Overview and Scrutiny Board and Cabinet prior to approval by Council in February 2025. The Council launched consultation in October 2024 asking for views on the importance of Council services, priorities for spending and levels of council tax. In support of the 2025/26 budget process, steps were taken to enhance the Overview and Scrutiny arrangements. This included Directorate budget awareness sessions and task and finish working groups that explored key lines of enquiry within their areas of responsibility. A balanced budget was set, which clearly identified the financial risks including the impact of the DSG deficit and cashflow issues.</p>	G
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	<p>The Council has documented the responsibilities of the Chief Finance Officer as well as budget managers within the Constitution for budgetary control and management. Quarterly financial monitoring reports were presented to and considered by Cabinet. Appendices to the reports provided projected revenue budget variances by service area, capital monitoring, HRA monitoring and a summary of the general fund.</p> <p>The Treasury Management Strategy Statement was presented to Cabinet in February 2025. The Audit and Governance Committee received quarterly treasury management reports. These updates included investment, borrowing performance, Prudential Indicators and short-term borrowing. The reports could be improved with short-term borrowing comparisons, and we raise an improvement recommendation in respect of this on page 25.</p>	A
G	No significant weaknesses or improvement recommendations.	
A	No significant weaknesses, improvement recommendations made.	
R	Significant weaknesses in arrangements identified and key recommendation(s) made.	

Governance – commentary on arrangements

We considered how the Council: [Commentary on arrangements](#)

Rating

28

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

The Constitution sets out how decisions are made and the procedures that should be followed, we are not aware of any instances of inappropriate decision making in 2024/25. The Council has four Overview and Scrutiny Committees, which provided a reasonable level of challenge and scrutiny throughout the year.

The Council has an established Audit and Governance Committee which monitored the work undertaken by Internal Audit and received a range of reports including risk management, treasury management and contract waivers and breaches. Throughout 2024/25 and into 2025/26 the Committee has been involved in scoping and reviewing an investigation currently being completed by Internal Audit on BCP Future Places. Whilst the Committee saw the investigation as a way to identify lessons learnt and provide greater understanding and transparency, the commissioning of this type of investigation, in our experience, is not standard practice for an Audit and Governance Committee. We have provided some insight in respect of this on page 28.

The Council has members, including some Cabinet members, as company directors. This could create conflict of interest challenges as a board directors' first duty is to act in the best interests of the company, which may conflict with the member's responsibilities as a Cabinet member.

A Shareholder Advisory Board and Shareholder Operations Board Governance Framework was approved in October 2024. Under the new framework, BCP Councillors would no longer be appointed to the Boards of Council-owned companies. The adoption of this revised governance framework will result in Councillor appointments being terminated and replaced with suitably skilled Officers nominated by the Chief Executive. Currently, members including the Leader of the Council remain on the Board of Directors. We raise an improvement recommendation on page 26.

(cont.)

A

Governance – commentary on arrangements

We considered how the Council: **Commentary on arrangements**

Rating

29

<p>ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee (cont.)</p>	<p>The Internal Audit investigation of BCP – Future Places Ltd has resulted in two reports. The first report was presented to the Audit and Governance Committee in September 2025 and the second in November 2025. The first report set out the timeline of events and key findings, whilst the second report identified 18 recommendations for the Council. Recommendations centred around the recruitment of company directors, governance arrangements for any new Council companies set up in the future, decision-making around individual projects, public reporting for Council companies and conflicts of interest, among others. Eight of the 18 recommendations need to be completed immediately – this includes ensuring advertising/recruitment for senior company executive director roles remain open for a minimum of three weeks and adopting the same selection/interview processes as for Council corporate directors, preventing Councillors who serve as company directors from participating in Council decisions related to the company, requiring all governance documents for any newly established Council company to be approved and signed within six months of incorporation, accurate recording of all declarations of interest, and regular meetings of the Shareholder Advisory Board and Shareholder Operations Board. Based on the information we have to date, we do not consider there was a significant weakness in arrangements in 2024/25, but an improvement recommendation has been raised on page 26.</p> <p>The issue relating to potential conflicts of interest has been addressed within improvement recommendation 4.</p>	<p>A</p>
<p>monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour</p>	<p>The Council performed an annual refresh of key policies, such as the Anti-Fraud and Corruption Policy and the Whistleblowing Policy. As part of this process, the Council conducted additional training and awareness sessions.</p> <p>The Council has codes of conduct for officers and members and a protocol for councillor/officer relations. An Annual Report on member Code of Conduct Complaints was presented to the Standards Committee. This report provided a summary of the complaints received and determined which were made against Councillors for alleged breaches of the Code of Conduct.</p> <p>Our review considered the arrangements in place for complaints made against statutory officers. This established that the Constitution is not consistent with the Joint Negotiating Committee (JNC) guidelines and the guidelines for consideration of an Investigation and Disciplinary Committee (IDC). The Constitution does not include procedures when a complaint is made against all three statutory officers and therefore requires updating. We have raised an improvement recommendation on page 25. (cont.)</p>	<p>A</p>

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (cont.)	<p>There were no breaches or non-compliances of legislative and regulatory requirements reported within the 2024/25 AGS, however we do note that mandatory member training is listed as a 'Significant Governance Issue'. Completion rates for mandatory training for officers increased in 2024/25, whereas completion rates for mandatory Councillor training remain low. This has already been identified as a concern in the AGS, and the Council has plans in place to support training uptake.</p> <p>The Council's Procurement and Contract Management Strategy (2024–2028) was approved by Cabinet in September 2024 and included the requirements of the 2023 Procurement Act.</p>	A

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance (continued)

Area for Improvement identified: treasury management

Key Finding: The Council provides quarterly treasury management reports to its Audit and Governance Committee. The report identifies the level of short- and long-term borrowing held by the Council as at the end of the period. However, there is no comparison or analysis provided to indicate if the level of borrowing has increased or decreased.

Evidence: Treasury measurement reports clearly set out all the short- and long-term borrowings the Council held as at a specific date. However, members reviewing the report will not be able to easily determine if borrowing levels have increased or decreased compared to the previous year or period.

As at 31 March 2024, the Council had short-term borrowings of £43.5m. By 31 March 2025, this had increased to £121.5m, whereas long term borrowing was £294.8m as at 31 March 2024 and £371.0m as at 31 March 2025. Short-term borrowing increased in 2024/25 to fund the cashflow issues resulting from the Dedicated Schools Grant (DSG) cumulative deficit. The Council has been given permission to exceed its Capital Finance Requirements (CFR) in 2025/26. It has not yet exceeded its CFR limit and should ensure this is reported promptly should it be exceeded.

Impact: A comparison of borrowing levels between periods and year-on-year would enable the reader to identify and understand any increases or decreases.

Improvement Recommendation 1

IR1: The Council should continue to monitor and report performance of its treasury management indicators and should enhance its treasury management reports by including comparisons on the level of borrowing to the previous year and earlier periods.

Governance (continued)

32

Area for Improvement identified: statutory officer complaints procedures

Key Finding: The Council’s Constitution is not consistent with the Joint Negotiating Committee’s (JNC) guidance and does not include arrangements to be followed in the event that a complaint is made against three statutory officers.

Evidence: The JNC is responsible for providing guidelines on disciplinary and grievance procedures for senior officers. The Council is aware of these guidelines, but the Constitution did not reflect these guidelines.

The Constitution set out procedures if a complaint was made against one or two statutory officers but not all three.

Impact: Current arrangements are unclear as to what procedures the Council should follow and, as such, are not transparent.

Improvement Recommendation 2

IR2: The Council should update its Constitution to ensure it is consistent with the JNC guidance and should include arrangements to include the scenario should a complaint be made against all three statutory officers.

Area for Improvement identified: lesson learnt report, BCP Future Places Ltd

Key Finding: Internal Audit’s investigation into BCP – Future Places Ltd was considered by Audit and Governance Committee in two parts. The first report in September 2025 identified areas of concern and key findings, whilst the second part in November 2025 identified specific recommendations.

Evidence: A detailed scope for the Internal Audit investigation was agreed by the Audit and Governance Committee in May 2025. It was agreed that findings would be covered in two meetings; September and November 2025. The September meeting identified issues and key findings, whilst the November meeting identified 18 recommendations with responsible officers and target dates. Eight of the 18 recommendations should be implemented immediately, whilst the rest have a target deadline of April 2026.

Impact: Failure to implement the recommendations of this review could result in poor governance of existing council owned companies.

Improvement Recommendation 3

IR3: The Council should develop an action plan to address all the recommendations made in the lessons learnt review of BCP Future Places Ltd.

Governance (continued)

Area for Improvement identified: Council owned companies

Key Finding: The Council has strengthened its governance of Council-owned companies, but members remain as Directors.

Evidence: A Council-owned companies shareholder governance review was taken to Cabinet in October 2024, following the closure of the Council's Urban Regeneration Company – BCP Future Places. The report put forward suggestions to improve governance arrangements, clearer understanding of respective roles, decision-making arrangements and accountability.

The first Internal Audit review of BCP – Future Places Limited identified that the Leader and Deputy Leader were appointed to the Board.

A Shareholder Advisory Board and Shareholder Operations Board were established, along with a Shareholder Operations Board Governance Framework. This framework advises that BCP Councillors would no longer be appointed to the Boards of Council-owned companies – the adoption of this revised governance framework should result in the termination of appointments, and members replaced with suitably skilled officers nominated by the Chief Executive. As at October 2025, elected members remain as Directors on the Boards for Seascope Group Limited, Seascope South Limited and Seascope Homes and Property Limited. This includes the Leader of the Council and Cabinet members.

Impact: Conflicts of interest may occur, and the Council may not be able to effectively govern its Council-owned companies.

Improvement Recommendation 4

IR4: The Council should ensure that it improves the governance of its subsidiary companies by:

- ensuring the skills and capabilities for each Board meet the requirements to enable effective governance of each company;
- removing elected members, including Cabinet and portfolio holders, from the boards and do not appoint any elected members to new companies, to guard against potential conflicts of interest;
- ensuring that if officers of the Council are appointed, appropriate arrangements are in place to reduce and manage potential conflicts of interest; and
- reviewing the articles of association to ensure they remain appropriate.

Grant Thornton insights – role of Audit and Governance Committee

The Council has the arrangements we would expect to see in respect of the Audit and Governance Committee function, but could challenge itself to go further, based on the best arrangements we see across the sector

What the Council is already doing



- Regularly reviewing and challenging the work of Internal and External Audit.
- Reviewing the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council, including, the approval of the Risk Management Policy and review of the Council's Corporate Risk Register.
- Considering arrangements for Treasury Management including approving the Treasury Management Strategy and monitoring the performance of this function.

What others do well



- Gaining assurances through the review of significant lessons learned reports presented to Audit Committee, especially those that relate to a significant audit finding, internal control failure, or following a major project.
- Regularly reviewing the effectiveness of the Audit Committee function to ensure it continues to provide strong oversight and meets its responsibilities,.

The Council could consider



- Ensuring that the Audit and Governance Committee prioritise core assurance business as per the terms of reference and evaluate if their role should include scoping and commissioning lessons learnt reviews.
- Reviewing and evaluating the effectiveness of the Committee annually, in line with CIPFA good practice guidance.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	<p>Corporate performance was reported quarterly to Cabinet and included 53 RAG-rated metrics. Any red-rated metrics that did not meet their quarterly target required an Exception Performance Report, which explained why the target was not met, the risks this presents and the planned mitigating actions.</p> <p>Data quality forms part of the Council's Information Governance Policy. We found evidence of benchmarking, including benchmarking of reserves within the MTFP, debt levels and debt on a net revenue expenditure basis against other Councils.</p>	G
35 evaluates the services it provides to assess performance and identify areas for improvement	<p>In 2023/24 we raised a significant weakness due to an 'inadequate' rating for the Council's Ofsted inspection of Children's Services. Following a reinspection in December 2024, the rating has improved to 'Good'. This is a very positive improvement in arrangements with a movement up two gradings. As a result, our assessment of a significant weakness in arrangements is no longer in place.</p> <p>A significant weakness was also raised in 2023/24 as a result of the statutory direction in relation to SEND (special education needs and disabilities) issued in February 2024. There is evidence that the Council has made some progress in addressing the statutory direction with a SEND Improvement Plan being put in place and progress against each action being reviewed by the recently appointed Director of Education and Skills. However, at the time of reporting, there remain several unfinished actions, and one action has not yet been started. Performance against the Improvement Plan actions remains inconsistent, and the outcome of the anticipated Ofsted inspection is uncertain at the time of reporting. There is insufficient evidence that the actions taken have appropriately addressed the significant weakness we raised in 2023/24 and therefore it remains in place for 2024/25, see page 32.</p>	R

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	The Council had appropriate arrangements to ensure it delivered its role within significant partnerships in 2024/25. Updates and strategy approvals were presented to Cabinet throughout the year. The Council's Corporate Strategy 2024-2028 was adopted in May 2024. Prior to the adoption of the strategy, a wide range of methods were used to engage with residents and stakeholders. This is evidenced by the Adult Social Care Strategy 2025-2028 which was taken to Cabinet in April 2025. The Council worked in collaboration with partner organisations including health, housing, the voluntary and community sector and independent care providers.	G
36 commissions or procures services, assessing whether it is realising the expected benefits	<p>The Council had adequate arrangements to monitor procurement and commissioning activity, with a central team, the Procurement and Contract Management Team, supporting services. This central team throughout 2024/25 were responsible for implementing the new Procurement and Contract Management Strategy and managing about 40 large contracts for which there was a standard procedure. The remaining contracts, over 500 across the Council, were managed by individual service areas and the approach was not consistent. We have not raised an improvement recommendation, however, the delivery plan supporting the Procurement and Contract Management Strategy will be reviewed next year.</p> <p>In response to the new 2023 Procurement Act, a lot of transformation work was undertaken within the central team. The team has been upskilled and procedures have been revised to reflect the changes in the Act.</p>	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

05 Summary of Value for Money Recommendations raised in 2024/25

Key recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
38	<p>KR1</p> <p>The Council should:</p> <ul style="list-style-type: none"> • update its DSG management plan and ensure the actions are embedded and monitored. Further action should be identified if the current actions are not having the impact as intended to ensure action is taken at pace • continue to monitor the impact of the DSG deficit on the cashflow position • ensure it monitors and manages the level of reserves and increase its level of reserves where possible. 	Financial sustainability (pages 16 – 20)	<p>Actions: The DSG management plan will be updated. A new partnership governance of the DSG will be established to monitor activity against impact. The monitoring of the cashflow position against the deficit will continue. The levels of reserves will be monitored and increased where possible.</p> <p>Responsible Officer: Corporate Director for Children's Services and the Director of Finance</p> <p>Due Date: March 2026</p>
	<p>KR2</p> <p>The Council should address the weaknesses identified by a recent statutory direction in relation to the SEND (special education needs and disabilities] service.</p> <p>Raised in 2023/24</p>	Improvement economy, efficiency and effectiveness (pages 29 – 30)	<p>Actions: The improvement plan for the SEND service will continue to be monitored through the partnership arrangements and through the SEND Board chaired by the DfE.</p> <p>Responsible Officer: Corporate Director for Children's Services</p> <p>Due Date: March 2026</p>

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
39	IR1 The Council should continue to monitor and report performance of its treasury management indicators and should enhance its treasury management reports by including comparisons on the level of borrowing to the previous year and earlier periods.	Governance (pages 21 – 28)	Actions: Consideration will be given to the potential enhancements to the regular Treasury Management reports to Audit & Governance Committee commencing with the Quarter Three monitoring report for 2025/26. Responsible Officer: Director of Finance Due Date: January 2026
	IR2 The Council should update its Constitution to ensure it is consistent with the JNC guidance and should include arrangements to include the scenario should a complaint be made against all three statutory officers.	Governance (pages 21 – 28)	Actions: A review of this issue is due to be progressed and considered for consultation with the statutory officers prior to the amendments being proposed to relevant working group. Council approval would be required. Responsible Officer: Director of Law and Governance Due Date: December 2025
	IR3 The Council should develop an action plan to address all the recommendations made in the lessons learnt review of BCP Future Places Ltd.	Governance (pages 21 – 28)	Actions: An action plan will be constructed based on lessons learnt by Audit & Governance Committee once Internal Audit have completed their investigations. Several actions have already been taken forward following the response to the Best Value Notice. Responsible Officer: Internal Auditor Due Date: December 2025

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
40 IR4	<p>The Council should ensure that it improves the governance of its subsidiary companies by:</p> <ul style="list-style-type: none">• ensuring the skills and capabilities for each Board meet the requirements to enable effective governance of each company• removing elected members, including Cabinet and portfolio holders, from the boards and do not appoint any elected members to new companies, to guard against potential conflicts of interest,• ensuring that if officers of the Council are appointed, appropriate arrangements are in place to reduce and manage potential conflicts of interest• reviewing the articles of association to ensure they remain appropriate.	Governance (pages 21 – 28)	<p>Actions: These recommendations are matters which in accordance with the council's constitution are considered by the Shareholder Advisory Board and therefore will be considered at the next meeting.</p> <p>Responsible Officer: Director of Law and Governance</p> <p>Due Date: December 2025</p>

41

06 Follow up of previous Key recommendations

Follow up of 2023/24 Key recommendations

Prior Recommendation		Raised	Progress	Current status	Further action	
42	KR1	The Council should continue to explore all opportunities to manage the Dedicated Schools Grant deficit in the medium term. This should include continued discussions with the Department for Education (DfE) and Ministry of Housing, Communities & Local Government (MHCLG) as well as other measures aimed at addressing the deficit.	2023/24	The Council has corresponded regularly with MHCLG and continues to liaise with the DfE. MHCLG has agreed the use of temporary borrowing as part of the Councils Treasury Management arrangements to fund the 2025/26 DSG deficit. The Council has a 15-year management plan and continues to work with partners to reduce costs. However, the DSG deficit continues to increase.	Partially implemented	See new key recommendation on page 20.
	KR2	The Council must devise a plan to manage the cash shortfall expected to occur in 2025/26 and beyond. This plan should include consideration of the application for a capitalisation direction following liaison with Ministry of Housing, Communities & Local Government (MHCLG) to mitigate the forecast cash flow emergency.	2023/24	The Council has had confirmation that it can temporarily borrow within its Treasury Management powers to fund any DSG deficit over its Capital Finance Requirements (CFR). The Director of Finance wrote to MHCLG in July 2025 to seek assurance around the 2026/27 Budget further to announcements in the Funding Formula Review 2.0 Consultation.	Partially implemented	See new key recommendation on page 20.

Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
43	KR3 The Council should address the weaknesses identified by a recent statutory direction in relation to the SEND (special education needs and disabilities] service.	2023/24	The Council has made some progress. However, there remain several unfinished actions, and one action has not yet been started. Performance against the Improvement Plan remains inconsistent, and the outcome of the anticipated Ofsted inspection is uncertain at the time of reporting.	Partially implemented	Action and monitoring of actions should continue to ensure removal of the statutory inspection when the Council is reinspected, date of which is unknown.
	KR4 The Council must review the continued sustainability of Reserves and Balances and ensure the Medium- term Financial Plan (MTFP) demonstrates a realistic plan to replenish reserves and balance the budget gap in the Medium-Term	2022/23	Council set a balanced 2025/26 budget and Medium-Term Financial Plan at its meeting on 11 February 2025. The unearmarked reserves have been further strengthened as part of the financial strategy and the final 2024/25 outturn. As of 31 March 2025, unearmarked reserves stand at £27.3m which would represent 7.9% of the 2024/25 Net Revenue Expenditure.	Partially implemented	See new key recommendation on page 20.
	KR5 The Council should continue to address the weaknesses identified by Ofsted, and the Department for Education (DfE) to ensure all children have access to quality services which meet their needs in a timely manner.	2022/23	Following the reinspection by Ofsted of Children's Social Care services in December 2024 the rating improved from 'Inadequate' to 'Good'. Significant improvement is therefore evidenced.	Complete	No further action

44

07 Appendices

Appendix A: Responsibilities of the Council

45

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 Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with 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: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council’s Value for Money arrangements

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council’s arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

46

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor’s professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.



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

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council’s arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of improvement recommendations raised in previous years

	Prior Recommendation	Raised	Progress	Current position	Further action
47	IR1 The Council should consider as part of the corporate risk register the inclusion of documenting the key controls and sources of assurance	2023/24	Risks within the Corporate Risk Register include a net risk score and a risk status. Within the appendix, a range of detail is included on each individual risk. We consider that the Council has documented key controls and sources of assurance.	Complete	No further action required
	IR2 The Council should develop and successfully implement a policy for data stewards to ensure that the data processed across directorates is consistent and accurate	2023/24	Data quality is included within the Council's information governance policy. It sets out that information should be effectively organised, managed and maintained. We consider that this work ensures that data processed across directorates is consistent and accurate.	Complete	No further action required
	IR3 The Council should develop a Council Wide case management system for complains	2022/23	Work for this project has begun and is likely to be complete in November 2025. Public-facing complaints forms have been developed and launched for adults, children's services, BCP homes and corporate complaints. There is a weekly complaints meeting in place with the design/development team to review weekly deliverables for this project.	Complete	No further action required

Appendix C: Follow up of 2023/24 improvement recommendations

Prior Recommendation		Raised	Progress	Current position	Further action	
48	IR4	The Council should continue to address the weaknesses identified by Ofsted to ensure all children have access to quality services and meet their needs on a timely basis.	2020/21	In 2024/25 Ofsted have confirmed that the BCP Council’s Children’s Services had significantly improved and the rating increased from ‘Inadequate’ to ‘Good’.	Complete	No further action required
	IR5	The Council should consider the capacity of the finance team and its over reliance on a limited number of individuals. The Council should also implement a more thorough process of review of the financial statements to prevent material errors from arising including where an external expert such as a property valuer was engaged.	2020/21	The Council has been successful in the recruitment to some key roles, however the recruitment market for local government specialists remains difficult. The review process for the 2024/25 financial accounts included a period of time to ensure a thorough review was undertaken and also included a wider group of officers to enable knowledge sharing. We are aware that overreliance on one individual remains.	Complete	No further action required

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR6	The Council should consider separating the category 1 members interests between those where member or officer controls the entity rather than where a standard employment relationship exists.	2020/21	Our review of the Constitution established that this recommendation has not been implemented. The Council has indicated that these are matters which in accordance with the council's constitution are considered by the Shareholder Advisory Board and therefore will be considered at the next meeting.	Outstanding	Implement the original recommendation

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
50 IR7	<p>The Council should strengthen its partnership arrangements. This should include:</p> <ul style="list-style-type: none"> defining partnerships defining the importance including those which directly contribute objectives of the partnership agree the monitoring and assessment arrangements including the role of members for each partnership agree a consistent template for the partnership register and consider expanding the content with information detailed above. 	2020/21	<p>There is a new Head of Policy, Strategy & Partnerships in post from March 2025. A review of corporate partnership arrangements will also be undertaken during 2025/26. This has been initiated by reviewing existing guidance, organising existing service partnership registers in line with current structure and by asking Directors to ensure their registers are reviewed and updated by July 2025. Once this work is completed, a further review will take place, analysis provided, and a report taken to Corporate Management Board for consideration.</p>	Outstanding	Implement the original recommendation
IR8	<p>The Council should develop and adopt a procurement strategy.</p>	2020/21	<p>The Council’s Procurement and Contract Management Strategy (2024–2028) was approved by Cabinet in September 2024.</p>	Complete	No further action required



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