

Notice of Audit and Governance Committee

Date: Thursday, 29 July 2021 at 6.00 pm

Venue: Committee Suite, Civic Centre, Poole BH15 2RU



Membership:

Chairman:

Cllr J Beesley

Vice Chairman:

Cllr L Williams

Cllr M F Brooke

Cllr D Brown

Cllr D Butt

Cllr L Fear

Cllr A Filer

Cllr M Phipps

Cllr T Trent

All Members of the Audit and Governance Committee are summoned to attend this meeting to consider the items of business set out on the agenda below.

The press and public are welcome to view the live stream of this meeting at the following link:

<https://democracy.bcpCouncil.gov.uk/ieListDocuments.aspx?MId=4845>

If you would like any further information on the items to be considered at the meeting please contact: Democratic Services by email at democratic.services@bcpCouncil.gov.uk

Press enquiries should be directed to the Press Office: by email at press.office@bcpCouncil.gov.uk

This notice and all the papers mentioned within it are available at democracy.bcpCouncil.gov.uk

GRAHAM FARRANT
CHIEF EXECUTIVE

21 July 2021



Maintaining and promoting high standards of conduct

Declaring interests at meetings

Familiarise yourself with the Councillor Code of Conduct which can be found in Part 6 of the Council's Constitution.

Before the meeting, read the agenda and reports to see if the matters to be discussed at the meeting concern your interests

Do any matters being discussed at the meeting relate to your registered interests?

Disclosable Pecuniary Interest

Yes

Declare the nature of the interest

Do NOT participate in the item at the meeting. Do NOT speak or vote on the item EXCEPT where you hold a dispensation

You are advised to leave the room during the debate

Local Interest

Yes

Declare the nature of the interest

Applying the bias and pre-determination tests means you may need to refrain from speaking and voting

You may also need to leave the meeting. Please seek advice from the Monitoring Officer

No

Do you have a personal interest in the matter?

Yes

Consider the bias and pre-determination tests

You may need to refrain from speaking & voting

You may also need to leave the meeting. Please seek advice

No

You can take part in the meeting speak and vote

What are the principles of bias and pre-determination and how do they affect my participation in the meeting?

Bias and predetermination are common law concepts. If they affect you, your participation in the meeting may call into question the decision arrived at on the item.

Bias Test

In all the circumstances, would it lead a fair minded and informed observer to conclude that there was a real possibility or a real danger that the decision maker was biased?

Predetermination Test

At the time of making the decision, did the decision maker have a closed mind?

If a councillor appears to be biased or to have predetermined their decision, they must NOT participate in the meeting.

For more information or advice please contact the Monitoring Officer
(susan.zeiss@bcpcouncil.gov.uk)

Selflessness

Councillors should act solely in terms of the public interest

Integrity

Councillors must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships

Objectivity

Councillors must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias

Accountability

Councillors are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this

Openness

Councillors should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing

Honesty & Integrity

Councillors should act with honesty and integrity and should not place themselves in situations where their honesty and integrity may be questioned

Leadership

Councillors should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs

AGENDA

Items to be considered while the meeting is open to the public

1. **Apologies**

To receive any apologies for absence from Councillors.

2. **Substitute Members**

To receive information on any changes in the membership of the Committee.

Note – When a member of a Committee is unable to attend a meeting of a Committee or Sub-Committee, the relevant Political Group Leader (or their nominated representative) may, by notice to the Monitoring Officer (or their nominated representative) prior to the meeting, appoint a substitute member from within the same Political Group. The contact details on the front of this agenda should be used for notifications.

3. **Declarations of Interests**

Councillors are requested to declare any interests on items included in this agenda. Please refer to the workflow on the preceding page for guidance.

Declarations received will be reported at the meeting.

4. **Confirmation of Minutes**

To confirm and sign as a correct record the minutes of the Meeting held on 10 June 2021.

9 - 12

5. **Public Issues**

To receive any public questions, statements or petitions submitted in accordance with the Constitution, which is available to view at the following link:

<https://democracy.bcpccouncil.gov.uk/ieListMeetings.aspx?CommitteeID=151&Info=1&bcr=1>

The deadline for the submission of a public question is 4 clear working days before the meeting.

The deadline for the submission of a public statement is midday the working day before the meeting.

The deadline for the submission of a petition is 10 working days before the meeting.

6. **Financial Statements 2020/21: Informing the Risk Assessment and Review of Significant Judgements and Sources of Estimation Uncertainty**

13 - 74

As part of the external auditor's risk assessment and audit planning for 2020/21 they are required to make enquiries to "those charged with

governance” of management processes and the Authority’s oversight of these processes, including material accounting estimates.

The appendices of this report set out the management processes and accounting estimates relevant to the 2020/21 audit for consideration and approval by the Audit and Governance Committee.

7. Treasury Management Monitoring Outturn 2020/21 and update for Quarter 1 2021/22

75 - 86

This report sets out the monitoring of the Council’s Treasury Management function for the period 1 April 2020 to 31 March 2021.

A surplus of £18k has been achieved through a reduced need to carry out temporary borrowing due to high cash balances generated from funding paid in advance associated with the government’s response to the pandemic.

The report also sets out the Quarter One performance for 2021/22 which forecasts an underspend of £171k due to a lower requirement for temporary borrowing.

Further to the standard update the reports seeks approval to a minor adjustment to the Councils minimum revenue provision policy as well as seeking endorsement to increase our borrowing head room in line with the proposal set out in the financial strategy supporting the proposed 2022/23 budget as endorsed by Cabinet.

8. Risk Management - Corporate Risk Register Update

87 - 106

This report updates councillors on the position of the council’s Corporate Risk Register. The main updates are as follows:

- No new risks have been added to the council’s Corporate Risk Register during the quarter.
- Corporate Risk CR8 – Inability to run an election/ referendum – has been de-escalated and it now returns to being a service risk.

Each of the risks have been reviewed including the Actions Completed and the Actions Proposed.

9. Changes to Council Constitution - Update

Verbal
Report

The Chairman of the Constitution Review Working Group will provide a verbal update on the work of the Group following its meeting on 20 July 2021.

10. Annual Review of Register of Declarations of Interests, Gifts and Hospitality by Officers Report 2020/21

107 - 112

An annual review and update of the Council’s Declaration of Interests, Gifts & Hospitality Policy took place in March 2021.

A recent Internal Audit review has been carried out on arrangements in place to ensure adequate staff awareness of the Declaration of Interests, Gifts & Hospitality Policy and to confirm declarations were being made as necessary. The review resulted in a 'Reasonable' assurance audit opinion and recommendations made to improve arrangements are being implemented.

There have been no internal or external identified instances, whistleblowing or reports by any other means where an undeclared interest has led to any disciplinary action or led to reputational damage.

11. Use of Regulation of Investigatory Powers Act (RIPA) annual report 2020/21

113 - 118

A new BCP RIPA Policy was introduced in April 2021.

RIPA training has been provided to assist with compliance with legislation and the BCP RIPA Policy.

BCP Council is in the process of drafting an Investigatory Powers Act 2016 (IPA) Policy for communications data acquisition and this will be presented to Audit & Governance Committee for approval in due course.

An inspection by the Investigatory Powers Commissioner's Office (IPCO) on the use of investigatory powers has recently been carried out and the outcome will be brought back to this committee.

The Council has not made use of RIPA powers during the 2020/21 financial year.

12. Chief Internal Auditor's (CIA's) Annual Opinion Report 2020/21

119 - 136

It is the opinion of the Chief Internal Auditor that during the 2020/21 financial year:

- arrangements were in place to ensure an adequate and effective framework of governance, risk management and control (internal control environment) and that where weaknesses were identified there was an appropriate action plan in place to address them;
- the systems and internal control arrangements were effective and that agreed policies and regulations were complied with;
- adequate arrangements were in place to deter and detect fraud;
- there was an appropriate and effective risk management framework;
- managers were aware of the importance of maintaining internal controls and accepted recommendations made by Internal Audit to improve controls;
- the Council's Internal Audit service was effective and compliant with all regulations and standards as required of a professional internal audit service; and that
- the arrangements, in respect of the Chief Internal Auditor, were consistent with all of the five principles set out in the CIPFA publication "The Role of the Head of Internal Audit in Public Sector Organisations".

- Whilst the COVID19 pandemic had a significant impact on the work of Internal Audit a revised Audit Plan was approved by the Audit & Governance Committee in July 2020 which has been delivered and no 'limitation of scope' opinion needs to be issued.

13. **Annual Breaches and approved Waivers of Financial Regulations Report 2020/21**

137 - 152

This report sets out the breaches and waivers of Financial Regulations (the Regulations) which have occurred during the 2020/21 financial year (see table in the report).

The low number of breaches compared to previous years indicate that there was generally a good level of understanding of the Regulations.

The Chief Finance Officer, or formally delegated representatives, agreed 116 waivers totalling £12.6M.

The higher number of waivers compared to 2019/20 is materially due to the impact of COVID19 and the requirement to either directly award or run procurement processes with a select list of suppliers to be able to deliver goods, services and work, for both revenue and capital projects at speed in response to the pandemic and the emerging issues it presented. BCP Council has followed Government issued advice and guidance in making procurement decisions during 2020/21 related to COVID19.

The advice and guidance state that sufficient documentation needs to exist to justify decisions taken in all stages of the procurement procedure in case of future challenge. BCP Council maintains Procurement Decision Records (PDR's) which satisfy this requirement.

Whilst full compliance can never be guaranteed and 'under-reporting' of breaches, in particular, is an inherent possibility, arrangements were in place to detect instances of non-compliance.

An effective and transparent breaches and waiver governance process maximises the chances of the Council achieving value for money and complying with UK Procurement Legislation (Public Contract Regulations 2015 (PCR15)) principles when procuring goods, services or works under PCR15 thresholds.

14. **Annual Governance Statement (AGS) 2020/21 and annual review of Local Code of Governance**

153 - 184

The Accounts and Audit Regulations 2015* require councils to produce an Annual Governance Statement (AGS) to accompany its Statement of Accounts.

This report seeks approval for the AGS for BCP Council.

The AGS concludes that BCP Council **"has effective and fit-for-purpose governance arrangements in place in accordance with the governance framework"**.

After considering all the sources of assurance (for governance arrangements), BCP Corporate Management Board identified that the following significant governance issues existed:

- Governance of Children's Social Services
- Governance Arrangements with External Bodies

An action plan to address these significant governance issues has been produced and is being implemented. An update against the action plan will be brought to Audit & Governance Committee in January 2021.

*and as amended by the Accounts and Audit (Amendment) Regulations 2021

15. Internal Audit - Quarterly Audit Plan Update (Quarter 1) 2021/22

185 - 190

This report details progress made on delivery of the 2021/22 Audit Plan for the period April to June (inclusive) 2021. The report highlights that:

- Three audit assignments have been completed (two 'Reasonable' and one 'Partial' audit opinions);
- Sixteen audit assignments are in progress;
- Implementation of audit recommendations is satisfactory;

A significant amount of work undertaken during the quarter related to completion of the 2020/21 Audit Plan. The 'Chief Auditor's Annual Report 2020/21' contains the outcome of this work which is being reported separately to this committee

16. External Auditor - Audit Plan 2020/21 and Progress Report/Sector Update

191 - 238

The attached report at Appendix A sets out the work that the Council's External Auditor, Grant Thornton, plan to undertake for the audit of the Council's Statement of Accounts in respect of 2020/21.

The External Auditor plans to give an opinion on whether the accounts give a true and fair view and whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The attached report at Appendix B provides an update to Audit & Governance Committee on the External Auditor's progress to date in delivering their responsibilities.

The report also includes a summary of emerging national issues and developments that may be relevant to the Council.

17. Audit & Governance Committee Forward Plan

239 - 242

This report sets out the reports to be received by the Audit & Governance Committee for the 2021/22 municipal year.

BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL
AUDIT AND GOVERNANCE COMMITTEE

Minutes of the Meeting held on 10 June 2021 at 6.00 pm

Present:-

Cllr J Beesley – Chairman

Cllr L Williams – Vice-Chairman

Present: Cllr M F Brooke, Cllr D Brown, Cllr D Butt, Cllr L Fear, Cllr A Filer,
Cllr M Phipps and Cllr T Trent

1. Apologies

There were no apologies for absence received.

2. Substitute Members

None.

3. Election of Chairman

It was Proposed by Councillor Fear, Seconded by Councillor Filer and

RESOLVED that Councillor Beesley be elected as Chairman of the Audit and Governance Committee for the ensuing 2021/22 Municipal year.

4. Election of Vice-Chairman

It was Proposed by Councillor Filer, Seconded by Councillor Fear and

RESOLVED that Councillor Williams be elected as Vice Chairman of the Audit and Governance Committee for the ensuing 2021/22 Municipal year.

5. Declarations of Interests

The Vice Chairman declared an interest as a Member of the Lower Gardens Trust. Councillor Phipps declared an interest as a Chairman of a Parish Council.

6. Confirmation of Minutes

RESOLVED that the Minutes of the Meeting held on 22 April 2021, having previously been circulated, be agreed and signed by the Chairman.

7. Public Issues

No public issues were received.

8. Public Parks - Governance Arrangements

The Chairman introduced Michael Rowland, Strategic Lead for Greenspace and Conservation and Ian Poultney, Head of Sustainability and Strategic Development, Environmental Services to present the item.

The presentation provided an introduction to BCP's public parks and charitable activities within them, including the Parks Foundation, Lower Central Gardens Trust and Five Parks Trust, a brief resume of Parish Councils and details of other Trusts within BCP and in other localities.

The Committee discussed the presentation and had detailed discussions surrounding the differences between the Lower Central Gardens Trust, Five Parks Trust and the Parks Foundation.

The Committee discussed and received detailed information on how the Trusts and Foundation were managed, the differences between them legally and the differences in the governance, including members and decision-making processes. The Committee was also advised of how funding was received and managed for both the Trusts and the Foundation and the difference between Local Authority governance and charitable trusts governance, they were reassured that all the necessary reporting requirements were up to date and lodged with the Charitable Commission.

Committee Members highlighted some inconsistencies in information provided at the presentation and information on the Charity Commission website, they stressed the importance of member representation and the need to ensure all activities were consistent, open, and transparent. The Committee was advised that work was being undertaken with legal services to review inconsistencies in the way BCP's charitable trusts were governed.

The Committee was advised of some of the positive work of the Parks Foundation including work with Parks in Mind which focused on mental health and wellbeing and works in Knyveton Gardens, Winton Recreation Ground and Poole Park.

There was some discussion over management plans and delegated management provisions for charitable parks and it was noted that any changes would be undertaken through consultation with the community and local ward Members. The Committee was advised that there was not sufficient resources to enable new master plans or management plans for all the parks every five years, but there were many strategies and policies which were relevant and implemented across them all.

In response to a concern regarding possible tax exposure of the Charitable Trusts, the Committee was reassured that charitable trusts did not pay

Corporation Tax and that BCP would ensure that any liabilities would be kept to a minimum.

The Chairman concluded the item by requesting an urgent review of the governance of BCP's public parks to ensure consistency, transparency and increased Member knowledge.

The Committee warmly thanked the Strategic Lead for Greenspace and Conservation for all his work over the years and wished him luck in his new role.

RESOLVED that a Report reviewing the governance of BCP's public parks be provided to the Audit and Governance Committee and Overview and Scrutiny Board at the earliest opportunity.

Voting: For – unanimous.

The meeting ended at 7.30pm.

CHAIRMAN

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AUDIT AND GOVERNANCE COMMITTEE

Report subject	Financial Statements 2020/21: Informing the Risk Assessment and Review of Significant Judgements and Sources of Estimation Uncertainty
Meeting date	29 July 2021
Status	Public Report
Executive summary	<p>As part of the external auditor's risk assessment and audit planning for 2020/21 they are required to make enquiries to "those charged with governance" of management processes and the Authority's oversight of these processes, including material accounting estimates.</p> <p>The appendices of this report set out the management processes and accounting estimates relevant to the 2020/21 audit for consideration and approval by the Audit and Governance Committee.</p>
Recommendations	<p>It is RECOMMENDED that:</p> <p>The Audit and Governance Committee</p> <p>(a) Approve the responses provided by management to the external auditors as set out in Appendix A;</p> <p>(b) Approve the approach to accounting estimates in the financial statements as set out in Appendix B.</p>
Reason for recommendations	<p>For the Audit Committee to consider and approve the response to the Council's external auditors regarding how the Audit Committee gains assurance on matters such as fraud, breaches of internal control, compliance with laws and regulations and accounting estimates.</p>

Portfolio Holder(s):	Cllr Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
Report Authors	Adam Richens, Chief Finance Officer and Director of Finance Matthew Filmer, Finance Manager
Wards	Council-wide
Classification	For Decision

Background

- Under International Standards on Auditing and as part of their risk assessment in planning their work, the external auditors (Grant Thornton UK LLP) must obtain an understanding of management processes and the Audit and Governance Committee's oversight of the following areas:
 - General enquiries of management;
 - Fraud;
 - Laws and regulations;
 - Related parties;
 - Accounting estimates.
- This report details the management responses to the questions posed by the external auditors in relation to these matters. The Audit and Governance Committee is asked to consider whether these responses are consistent with its understanding, and whether the Committee wishes to make any further comment.
- In addition, ISA540 has been enhanced to place increasing demands on auditors to understand and assess the council's internal controls over accounting estimates. Significant accounting estimates can affect disclosures in the accounting statements in areas such as:
 - Property, plant and equipment;
 - Pension liabilities;
 - Provisions;
 - Expected credit loss provisions;
 - Accruals
- The types of internal control over accounting estimates include: how management identify and address risk, how the need for specialist skills is identified, the control environment and how the outcomes of previous estimates are reviewed. The role of those charged with governance is also reviewed by the auditors.
- This report sets out, for consideration by the Audit and Governance Committee, how management identify the methods, assumptions and source data for each material

accounting estimate, the need for any changes to these assumptions and the degree of estimation uncertainty related to the accounting estimates.

Informing The Risk Assessment

6. Appendix A sets out the enquiries that the external auditor is making to the Audit and Governance Committee in order to inform their risk assessment for the council's audit 2020/21.
7. The Audit and Governance Committee is asked to consider and approve the proposed responses, making any additional comments as they consider necessary.

Accounting Estimates

8. Appendix B sets out the questions that the external auditor has asked in relation to material accounting estimates within the accounts in response to the increased requirements of ISA540.
9. The Audit and Governance Committee is asked to consider and approve the proposed responses, making any additional comments as they consider necessary.

Options Appraisal

10. Management select the most suitable basis for accounting estimates with reference to statutory requirements, available data, cumulative knowledge and experience, as well as expert advice.

Summary of financial implications

11. The basis of accounting estimates can have a material impact on the financial statements of the council as set out in Appendix B.

Summary of legal implications

12. None.

Summary of human resources implications

13. None.

Summary of sustainability impact

14. None.

Summary of public health implications

15. None.

Summary of equality implications

16. No EIA is necessary for this report as it comprises management responses that summarise existing policies and procedures within the authority, which will have their own EIA where relevant.

Summary of risk assessment

17. By their nature, accounting estimates can have a material impact on the financial statements. However, as accounting estimates, they will not affect the financial standing of the council.

Background papers

None.

Appendices

Appendix A – Informing the Audit Risk Assessment 2020/21

Appendix B – Accounting Estimate Management Summary

Informing the audit risk assessment for BCP Council 2020/21

Name Sam Harding
Title Senior Manager
T 0117 305 7874
E sam.g.harding@uk.gt.com



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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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Purpose

The purpose of this report is to contribute towards the effective two-way communication between BCP Council's external auditors and the Audit and Governance Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Governance Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit and Governance Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit and Governance Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Governance Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Governance Committee and supports the Audit and Governance Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Authority's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from BCP Council's management. The Audit and Governance Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?</p>	<p>The overriding issue that will have a significant impact on the 2020/21 financial statements is the Covid-19 pandemic. The main impacts will be:</p> <ul style="list-style-type: none"> • Service pressures of £39.3 million, including £24.1 million within regeneration & economy relating to lost income and support to leisure providers. • Receipt of significant funding to distribute to the community on both an agency and principal basis, eg £124 million business support grants distributed. • Receipt of £29 million un-ringfenced government emergency Covid-19 funding and £14 million compensation grant for lost sales, fess and charges • Receipt of £34 million ring fenced government funding to manage the pandemic, eg Contain Outbreak Management Fund and Infection Control Grant. • Effect of £86 million retail and hospitality relief on the NDR collection fund deficit. • Payment of £2.5 million council tax hardship fund between the general fund and collection fund • Increased cost of localised council tax support scheme on the collection fund deficit and reduced collection rates. • Effect of reduced collection rates for NDR and CT on the bad debt provisions • Effect on asset valuations, particularly investment assets valued through income streams. • Effect on the valuation of pension fund asset and liability valuations due to impact on mortality assumptions. • Effect on reserves as collection fund S31 grants relating to the in year deficits and other unspent grant funding is carried forward to 2021/22

General Enquiries of Management

Question	Management response
2. Have you considered the appropriateness of the accounting policies adopted by BCP Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	BCP accounting policies have been reviewed for appropriateness. The policies were reviewed in detail for 2019/20 as the year that BCP Council came into existence. No changes to accounting policies have been required for 2020/21.
3. Is there any use of financial instruments, including derivatives?	<p>The financial accounts show that the council makes use of local authority typical financial instruments which includes debtor and creditor balances, investments and long term borrowing.</p> <p>The council does not use any derivative style instruments as these are not a legal option for local authorities.</p>
4. Are you aware of any significant transaction outside the normal course of business?	No, other than the transactions relating to Covid-19 as detailed in Question 1.

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	<p>Potential effect of Covid-19 creating uncertainty regarding property asset valuations.</p> <p>However confirmation from the valuers has now cited this as no longer being an issue so there is no additional disclosure in the financial statements reflecting this material valuation uncertainty.</p>
6. Are you aware of any guarantee contracts?	As part of the financial package to support BH Live through the pandemic BCP Council guaranteed an element of their loan under the Coronavirus Business Interruption Scheme.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	<p>The financial accounts notes detail contingent liabilities.</p> <p>The accounts include a provision for NNDR Appeals.</p> <p>The insurance provision provides a degree of cover for incidents which have occurred but are not yet notified to the Council.</p>
8. Other than in house solicitors, can you provide details of those solicitors utilised by BCP Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>A list of the invoices processed by legal services and which relate to commissioned legal services has been sent to the external auditors.</p> <p>Not all of the work instructed out is contentious – some relates to projects where legal services don't have the specialism or capacity or independence to deal with a matter in-house. The majority of the barristers on the list are engaged on business as usual work, e.g. lengthy child protection final hearings. The list may be longer than usual due to issues with capacity in the team.</p>

General Enquiries of Management

Question	Management response
9. Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No reports from Service Providers (see below Q3 Fraud Assessment for general details of known fraud).
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<p>Treasury Management Advisors – Link Asset Services</p> <p>Insurance advisors – Marsh Ltd</p> <p>CIPFA\Grant Thornton – CFO Insights Toolkit</p> <p>LPFG Ltd – capital financing implications of property transfer to subsidiaries</p>

Fraud

Issue

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Governance Committee and management. Management, with the oversight of the Audit and Governance Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Governance Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As BCP Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Governance Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Governance Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Governance Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from BCP Council's management.

Fraud risk assessment

Question	Management response
<p>1. Has BCP Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>A Counter Theft, Fraud and Corruption Policy (which contains specific Whistleblowing, Anti-Money Laundering, Bribery Act, Fraud Response Plan and Schools guidance) is in place.</p> <p>Risk Management Strategy/Fraud Risk Register are in place.</p> <p>Internal Audit produce an annual counter-fraud & corruption risk assessment and corresponding work programme</p> <p>An annual counter fraud report is presented to the Audit & Governance Committee.</p> <p>Specialist investigative resource to support management with certain aspects of external fraud to the council is provided through the Corporate Fraud Specialist.</p> <p>Internal Audit are part of a number of counter fraud networks through which the council becomes aware of and responds to new and emerging risks.</p> <p>All allegations are reported to the Chief Internal Auditor and Chief Finance Officer (as required under Financial Regulations) and appropriate investigations carried out.</p> <p>The council promptly investigates potential cases of fraud or corruption using suitably trained and skilled staff or passes cases to appropriate parties e.g. Police/DWP.</p> <p>The annual counter fraud report to the Audit & Governance Committee (scheduled October 2021) details the outcomes. In summary every instance of fraud or financial irregularity is thoroughly investigated, which includes passing to the Police for criminal investigation if appropriate.</p> <p>The risk of material misstatement in the financial statements due to fraud is considered low.</p>

Fraud risk assessment

Question	Management response
1. Continued.	<p>Risk management is in active use in all service areas and is used as a management tool for the prioritisation of limited resources.</p> <p>All decision reports requesting councillor approval require risk management implications to be stated.</p> <p>The risk registers include financial risks and mitigating controls.</p> <p>Clear communication to senior officers that their role is to ensure councillors are aware of the facts and associated risks for any decision, and for councillors to make the decision.</p> <p>Corporate Risk Register update quarterly to Audit & Governance Committee.</p>
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	<p>The Internal Audit fraud risk assessment identifies service areas most at risk to fraud. Annual audit plan is informed using this risk assessment.</p> <p>As part of the 2020/21 Audit Plan the following high-level fraud risk areas are planned to be reviewed this year; employee subsistence and travel claims, pcards/credit cards, declaration of interests, planning applications, concessionary travel passes, crisis payments and housing tenancy data matching. The plan includes 160 days counter fraud and 125 days corporate fraud.</p>

Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within BCP Council as a whole or within specific departments since 1 April 2020?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Some instances of actual and alleged fraud or irregularity. Annual report to Audit & Governance Committee in October will detail all cases for 2020/21, draft list sent separately to Grant Thornton..</p> <p>Management Team review the Corporate Risk Register on a regular basis prior to onward quarterly reporting to Audit & Governance Committee.</p> <p>An annual report on the instances of reported Whistleblowing and fraud incidents is reviewed by the Audit & Governance Committee.</p> <p>All Council reports have a risk implications section.</p>
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within the Council where fraud is more likely to occur?</p>	<p>As part of the 2020/21 Audit Plan the following high-level fraud risk areas are planned to be reviewed this year; employee subsistence and travel claims, pcards/credit cards, declaration of interests, planning applications, concessionary travel passes, crisis payments and housing tenancy data matching. The plan includes 160 days counter fraud and 125 days corporate fraud.</p> <p>A new fraud risk area identified during 2020/21 has been the fraudulent application for Government Covid-19 grants. Controls were put in place to manage this risk however in five instances, ranging from £4k-£25k, fraud or error occurred resulting in wrongful payment. In two instances grants are fully repaid, a further one is subject to a repayment agreement and final two are being led by NATIS as they are of a national scale. Areas at risk of fraud have adequate internal controls and these are reviewed regularly during internal audit reviews.</p>

Fraud risk assessment

Question	Management response
<p>5. What processes do BCP Council have in place to identify and respond to risks of fraud?</p>	<p>A Counter Theft, Fraud and Corruption Policy (which contains specific Whistleblowing, Anti-Money Laundering, Bribery Act, Fraud Response Plan and Schools guidance) is in place.</p> <p>Risk Management Strategy/Fraud Risk Register are in place.</p> <p>Internal Audit produce an annual counter-fraud & corruption risk assessment and corresponding work programme</p> <p>An annual counter fraud report is presented to the Audit & Governance Committee.</p> <p>Specialist investigative resource to support management with certain aspects of external fraud to the council is provided through the Corporate Fraud Specialist.</p> <p>Internal Audit are part of a number of counter fraud networks through which the council becomes aware of and responds to new and emerging risks.</p> <p>All allegations are reported to the Chief Internal Auditor and Chief Finance Officer (as required under Financial Regulations) and appropriate investigations carried out.</p> <p>The council promptly investigates all potential cases of fraud or corruption using suitably trained and skilled staff or passes cases to appropriate parties e.g. Police/DWP.</p>

Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for BCP Council, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>Internal Audit review the effectiveness of internal control in the council through delivery of the approved Audit Plan. The Chief Internal Auditor's annual report to the Audit Committee provides assurance on the effectiveness of the Internal Audit function. The July 21 report will state:</p> <ul style="list-style-type: none"> arrangements were in place to ensure an adequate and effective internal control environment and that where weaknesses were identified there was an appropriate action plan in place to address them; the systems and internal control arrangements were effective and that agreed policies and regulations were complied with; adequate arrangements were in place to deter and detect fraud; there was an appropriate and effective risk management framework; managers were aware of the importance of maintaining internal controls and accepted recommendations made by Internal Audit to improve controls; <p>Other controls to prevent, deter or detect fraud are included in response to question 1 above.</p> <p>No known areas for override of controls or inappropriate influence over the financial reporting process.</p>
7. Are there any areas where there is potential for misreporting?	No known misreporting areas.

Fraud risk assessment

Question	Management response
<p>8. How does BCP Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>Employees made aware of these through the induction process, Employee Code of Conduct, the Constitution (in particular Financial Regulations) and the Anti Fraud and Corruption Policy.</p> <p>A specific fraud awareness e-learning module has been set up and provided to all employees and is part of the Council's induction process.</p> <p>Staff are encouraged to report concerns through the Anti Fraud & Corruption Policy and also the BCP Whistleblowing Policy. Both are subject to annual evolution and policy communication reminders.</p> <p>One formal whistleblowing referral made during 2020/2021, further details available. Some other referrals of suspected theft\fraud made. Annual report to Audit & Governance Committee in October will detail all cases for previous year</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>High fraud & corruption risk posts are considered those posts that have access to financial systems\processes that could enable a fraudulent payment to be made or income to be personally retained if controls are overridden e.g. Treasury Management , Creditors, Debtors, Income collection.</p> <p>Officers engaged in procurement of works, goods or services are also considered higher risk posts from a fraud or corruption perspective. Controls include segregation, panel evaluation and involvement of the Strategic Procurement team in all procurement greater than £25,000.</p> <p>All Senior officers at Tier 4 and above have a up-to-date Declaration of Interest, gift and hospitality Form2 logged with the Monitoring Officer.</p>

Fraud risk assessment

Question	Management response
9. Continued.	Annual audits of key financial systems consider the key controls which include this risk of fraudulent activity.
10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? How do you mitigate the risks associated with fraud related to related party relationships and transactions?	No known related party relationships or transactions that could give rise to instances of fraud Formal governance arrangements are in place for each partnership\organisation including boards and formal agreements and documented roles/responsibilities.

Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit and Governance Committee?</p> <p>How does the Audit and Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Internal Audit produce an annual counter-fraud & corruption risk assessment and corresponding work programme.</p> <p>Any significant investigations are reported to the Chair of the Audit Committee on an ad hoc basis</p> <p>An annual counter fraud report is presented to the Audit & Governance Committee.</p> <p>The annual counter fraud report to the Audit & Governance Committee (schedule October 2021) details the outcomes.</p> <p>A list of audit investigations has been sent to the external auditor.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>Annual report to Audit & Governance Committee on counter fraud work includes outcomes of any whistleblowing referrals. The Internal Audit response to investigations (including those raised formally under the Council's Whistleblowing Policy) is included in confidential Appendix.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>No reports under the Bribery Act during 2020/21</p>

Law and regulations

Issue

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Governance Committee, is responsible for ensuring that BCP Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Governance Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements do BCP Council have in place to prevent and detect non-compliance with laws and regulations? Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>All reports for decision have a section considering legal implications.</p> <p>All reports for Cabinet / Council decision require sign off from the Monitoring Officer.</p> <p>Senior officers have sufficient knowledge and experience to ensure compliance with laws and regulations within their service areas.</p> <p>There are no changes to the council's regulatory environment that may have a significant impact on the council's financial statements.</p>
<p>2. How is the Audit and Governance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Audit & Governance Committee gains assurance that all relevant laws and regulations have been complied with, through the work of Internal Audit, the Annual Audit and Inspection letter from External Audit and the Council's Annual Governance Statement.</p> <p>Other processes in place to ensure compliance include Monitoring Officer/Chief Finance Officer roles/responsibilities and Legal comments on committee reports.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?</p>	<p>There are no known significant non-compliance of laws/regulations that would have any material effect on the 2020/21 Financial Statements.</p>

Impact of laws and regulations

Question	Management response
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>The specific details of potential claims have been sent to the external auditors.</p> <p>There have been a number of disrepair claims brought against the council in recent months, although each claim is well below the £600k threshold deemed “trivial” to the financial statements.</p> <p>The council has a number of ordinary residence funding disputes between authorities over who pays for care for a service user. There is one at the moment which may be high value (as the service user is in a 52 week placement). An additional £0.6 million added to provision as at 31 March 2021.</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does BCP Council have in place to identify, evaluate and account for litigation or claims?	<p>Decision reports to members include financial and legal implications. Risk register would include any significant pending litigation or claims.</p> <p>Statutory Officer Group (SOG) receive an approximately 6 weekly update of all major insurance claims and the Monitoring Officer reports similarly on all major litigations. The Chief Finance Officer (CFO) determines the necessary accounting treatment, assumptions or disclosure notes for such claims.</p>
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	<p>No.</p> <p>HMRC are currently conducting an audit.</p>

Related Parties

Issue

Matters in relation to Related Parties

BCP Council are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by BCP Council;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any entity that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in BCP Council's 2019/20 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and BCP Council Whether BCP Council has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>No changes to related parties for 2020/21 for Members or officers as disclosed in Note 31 to the financial statements.</p>
<p>2. What controls do BCP Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>All councillors, directors and employees are required to adhere to the Declarations of Interests, Gifts and Hospitality Policies. This policy is reviewed annually and reminder communications sent to all..</p> <p>Personal declarations must be made to line managers with escalation to directors as appropriate. Higher tier officers have additional requirements for recording interests, gifts and hospitality.</p> <p>Failure to comply with the policy is a disciplinary offence.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Significant transactions must be approved in accordance with the financial regulations, with Cabinet and Council approval for transactions exceeding £0.5 million and £1.0 million respectively.</p> <p>The council recognises the potential conflict of interest in relation to organisations over which the council exerts control, for example companies and charities, and always ensures that Members and officers on the Board are withdrawn from any negotiations and decisions made by the Council. The Chief Financial Officer remains independent of subsidiary and charity boards in order to maintain segregation of duties.</p>

Related Parties

Question	Management response
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	Significant transactions outside the normal course of business are identified either by Corporate Management Board, through reports for decision by Cabinet or Council, or as part of treasury management. Additional controls put in place as required. The most recent example would be the £20 million payment to Dorset Council for the disaggregation of the legacy Dorset County Council balance sheet as part of local government reorganisation (March 2020). The amount was subject to a confirmation letter from the Dorset Council S151 Officer and authorisation of the amount by the BCP Council S151 Officer, with the Assistant Chief Financial Officer sending the payment.

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit and Governance Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<ul style="list-style-type: none"> • Valuation of property, plant and equipment. • Estimate of provisions – business rate appeals • Valuation of pension liabilities • Accruals of income and expenditure • Estimates of bad debts and estimated credit losses • Fair value estimates – investment properties • Fair value estimates – financial instruments
<p>2. How does the Council's risk management process identify and addresses risks relating to accounting estimates?</p>	<p>Risks are identified and addressed through a combination of measures:</p> <ul style="list-style-type: none"> • Use of relevant updates and bulletins from professional bodies, for example from the Actuary for pension liabilities and the Valuation Office for business rate appeals. • Use of experts to inform the calculation of the accounting estimate, for example RICS qualified valuers for property valuations and the use of Actuaries for the pension liability. • Attendance at relevant briefings and training events, for example the CIPFA and Grant Thornton accounts workshops and the Annual Meeting of the Pension Fund. • Discussions with relevant experienced officers for example with regard to large exceptional debts outstanding and legal or business rate appeals pending . • Review of Cabinet and Council reports for identified financial risks.

Accounting Estimates - General Enquiries of Management

Question	Management response
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	The methods, assumptions and source data will vary depending upon the nature of the accounting estimate as set out in Appendix B.
4. How do management review the outcomes of previous accounting estimates?	<p>Management review the accuracy of previous accounting estimates and thus increase the cumulative understanding and experience of them. Accounting estimates are reviewed by external audit as part of the audit of the financial statements and any recommendations are included in an action plan as appropriate.</p> <p>The management review will vary depending upon the nature of the accounting estimate as set out in Appendix B.</p>
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	<p>Actions have been taken to improve the process for providing evidence to support valuations of property, plant and equipment as a result of the recommendations of the external auditor from the 2019/20 audit. These include the use of a single external valuer for general fund assets, early engagement between the valuer, estates and audit teams, and the engagement of external surveyors to provide external floor plans where necessary.</p> <p>There were some changes in the approach to valuing the pension liability, as recommended by the Actuary, for example making an allowance for the actual pension increase experience since the last valuation, and adjusting the mortality assumption due to the effect of the pandemic.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	<p>Property valuations and pension fund liability valuations are the main areas that require specialist skills and knowledge due to the complexity and materiality of the estimates.</p> <p>There is further information on the specialist skills required and applied for accounting estimates in Appendix B.</p>
7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	<p>Control activities vary depending on the nature of the accounting assumption. Generally they comprise management review of results and assumptions used, advice from specialists and review by external audit.</p> <p>There is further information on the control activities for accounting estimates in Appendix B.</p>
8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	<p>Monitoring activities vary depending on the nature of the accounting assumption. Generally they comprise management review of results and assumptions used, advice from specialists and review by external audit.</p> <p>There is further information on the monitoring activities for accounting estimates in Appendix B.</p>
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>A summary of the material accounting estimates made by management in the financial statements is presented to the Audit and Governance Committee for oversight and scrutiny. This summary is presented at the same meeting as the external auditor's audit plan is presented to the Audit and Governance Committee for approval, to give assurance that the audit plan identifies all relevant risk areas.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	None other than those disclosed.
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes – the management arrangements as detailed in Appendix A are reasonable.
12. How is the Audit and Governance Committee provided with assurance that the arrangements for accounting estimates are adequate ?	The arrangements for accounting estimates are provided for scrutiny to the Audit and Governance Committee at the same time as the external audit plan is considered.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Valuations are made by a RICS qualified valuer in line with RICS and CIPFA guidance.	<p>Management agree clear terms of engagement with the external valuer and estates team. These set out for the valuer the requirements, standards, valuation basis, timescales and format of reports.</p> <p>All valuations provided to management will be subject to robust review and challenge if appropriate.</p>	Yes – RICS qualified external valuer.	<p>To ensure that valuations are materially correct the council complies with CIPFA's 5-year rolling revaluation programme, thus valuing 20% of assets each year. In addition, the top 20 assets by value are revalued annually.</p> <p>The 80% of assets not revalued in any one year are reviewed using market indices provided by the external valuer to see if further formal valuations are required in addition to the rolling programme.</p>	<p>No.</p> <p>Actions have been taken to improve the process for providing evidence to support valuations.</p>

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Council dwelling valuations	Valuations are made by a RICS qualified valuer in line with RICS and CIPFA guidance.	<p>Management agree clear terms of engagement with the estates team. These set out for the valuer the requirements, standards, valuation basis, timescales and format of reports.</p> <p>All valuations provided to management will be subject to robust review and challenge if appropriate.</p>	<p>Yes.</p> <p>Bournemouth HRA internal valuer.</p> <p>Poole HRA external valuer.</p>	<p>Desk top review using industry indices and market trends and knowledge.</p> <p>20% of the housing stock/beacon property is revalued and the results applied to the remaining housing stock.</p>	<p>No.</p> <p>Actions have been taken to improve the process for providing evidence to support valuations.</p>

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Investment property valuations	Valuations are made by a RICS qualified valuer in line with RICS and CIPFA guidance regarding fair value.	Management agree clear terms of engagement with the external valuer and estates team. These set out for the valuer the requirements, standards, valuation basis, timescales and format of reports. All valuations provided to management will be subject to robust review and challenge if appropriate.	Yes – RICS qualified external valuer.	Valuations based on income streams using inputs as categorised in the fair value hierarchy.. The impact of Covid-19 on investment property valuations, which are valued using income streams, was identified as a particular risk for valuations as at 31 March 2021.	No. Actions have been taken to improve the process for providing evidence to support valuations.
Depreciation	Straight line depreciation basis used using standard asset lives as advised by estates department.	Standard asset lives used. Analytical review of amount of depreciation charged.	Suitably qualified estates officers advise on asset lives.	Straight line depreciation basis used using standard asset lives as advised by estates department.	No.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	<p>The actuary recommends standard assumptions to determine this accounting estimate, although these can be adjusted by management to better reflect local circumstances where appropriate.</p> <p>Pension accounting assumptions and figures are prepared in accordance with International Accounting Standard 19.</p>	<p>Management consider the pre and post March briefing notes supplied by the actuary to consider the issues raised and also attend the annual pension fund briefing where approaches to employer contributions and addressing pension deficits can be agreed.</p> <p>The actuary engages early with admitted bodies to discuss the need for bespoke assumptions for individual organisations and to ensure that the data used is up to date.</p>	Yes – pension fund actuary.	<p>Inherently risky due to materiality and estimation uncertainty.</p> <p>Management consider whether to apply bespoke assumptions rather than the actuary's standard approach by considering actuarial briefing notes in the lead up to the year end and any unique factors that effect the council.</p> <p>Management did not consider any changes to the standard demographic or financial assumptions were required.</p> <p>The actuary provides a sensitivity analysis with the valuation report that calculates the financial impact of changes in key assumptions such as longevity, salary increases and the discount rate. This is published in the statement of accounts.</p>	There were some changes in the approach to valuing the pension liability, as recommended by the Actuary, for example making an allowance for the actual pension increase experience since the last valuation, and adjusting the mortality assumption due to the effect of the pandemic.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities continued.		The actuarial valuation supplied for the accounts is accompanied by a report explaining the impact of the assumptions and methods used on the balance sheet figures. The report is reviewed by management.	.		
Fair value estimates – Financial Instruments	The requirements for the valuation and accounting of financial instruments is prescribed by IFRS9 Financial Instruments and IFRS13 Fair Value.	Source data is readily available, such as the council's existing portfolio of financial instruments and market information. The estimates are reviewed by management and external audit.	Yes – the council's treasury advisors, Link Treasury Services, provide information and calculations for the fair value of borrowings.	No particular risks identified other than the risks inherent with financial instruments such as credit risk, liquidity risk and market risk. Such risks are managed through adherence to CIPFA's Code of Practice on Treasury Management and through the council's Treasury Management Policy which is approved annually by the Audit and Governance Committee.	No.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	<p>Standard accruals accounting is used.</p> <p>Procedures and deadlines for identifying accruals are included in the closedown instructions distributed to accountants and budget holders.</p>	Depending on their value, accruals are reviewed by either Finance Managers, Assistant Chief Finance Officers or the Chief Finance Officer on a weekly basis during the closedown period.	No specialised skills or knowledge used apart from knowledge of budget holders in relation to their services.	<p>No risks identified relating to the material accuracy of accruals.</p> <p>More data is available to assist in the calculation of accruals for 2020/21 as it is the second year of operation for BCP Council.</p>	No.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions - NDR	<p>The 2010 list appeal provision was £11.4 million as at 1 April 2020, with £2.5 million of successful appeals during the year reducing the balance. Due to the additional uncertainty created by the possibility of ATM appeals, it was determined appropriate to top this element of the provision back up to £11.4 million as at 31 March 2021.</p> <p>The 2017 list appeal provision was £14.0 million as at 1 April 2020. Due to the lack of data on potential appeals relating to this list, an additional £5.3 million was added to the provision to bring it to £19.3 million as at 31 March 2021.</p>	The NDR provision is reviewed for reasonableness by the Assistant Chief Financial Officer and Chief Finance Officer.	The accountancy and business rates officers who compile the NDR outturn and appeal data are experienced officers and apply their skills and judgement in determining the estimate.	<p>There is inherent uncertainty in the calculation of this estimate due to the lack of data from the Valuation Office concerning appeals against the 2017 rating list, since the introduction of the check, challenge, appeal process for business rate appeals.</p> <p>There is also uncertainty created concerning appeals against the 2010 rating list. The 2010 list had been closed to new appeals but there is now the potential for material changes of circumstances appeals to be lodged after the agreement to include cash machines (ATMs) in the main rating assessment of a property rather than carrying a separate valuation.</p>	No.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions – NDR continued.	The addition of £5.3 million is based on the 3.5% buoyancy factor included for appeals in the business rate multiplier, applied to the total net business rates collectable of £ 151.5 million			These risks have been addressed through detailed discussion between experienced revenues and accountancy officers as to the best approach to determining a prudent level of provision.	
Credit loss and impairment allowances	Collective lifetime expected credit losses are calculated based on the credit risk, the credit status of the instrument and whether there has been any change in the credit risk since initial recognition.	Source data available from accounts receivable and the revenues systems combined with intelligence from service managers.	No.	<p>The risk of increased credit losses due to covid-19 was assessed particularly for the effect on council tax and NDR arrears in the collection fund.</p> <p>Provisions based on a % of outstanding debt based on age, with additional provisions made to reflect reduced collection rates and increased arrears for council tax and business rates.</p>	No changes to methods but specific factors in the calculation have been reviewed in light of the risks identified, for example changes to council tax and business rate collection rates.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Credit loss and impairment allowances		Debt is monitored as part of the quarterly revenue budget monitoring; Quarterly reports on outstanding debt at cost centre level are provided to service accountants, regular write off of bad debts are approved as per the financial regulations depending on the total value of the write offs.			



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Appendix B

BCP Council Accounting Estimate Management Summary

Property, plant, and equipment valuation estimate

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>There are inherent risks associated with the valuation of property due to the materiality of the estimates. The balance sheet value for land and buildings as at 31 March 2021 is £1.35 billion.</p> <p>These risks are addressed by the use of suitably qualified RICs valuers – the external valuers Bruton Knowles for general fund assets, the Valuation Office for Poole HRA property and internal valuers for Bournemouth HRA property.</p> <p>In light of the comments in the external auditor's report for 2019/20, concerning improvements required to the council's valuation processes, specifically valuers being able to support the valuations they make, management have addressed the risk of a repetition of these issues in 2020/21 by:</p> <ul style="list-style-type: none"> • Use of a single valuer for all general fund assets; • Early engagement with Bruton Knowles and Grant Thornton to agree requirements; • Latest capital programme issued to external valuer; • External surveyors engaged to provide floor plans where these were missing for significant assets due to be valued as at 31 March 2021. <p>The accounts disclose additional uncertainty with regard to the assumptions made in the valuations which use building indices, due to the effect of Covid-19. The pandemic has had an impact on market activity and therefore the evidence used for comparison purposes when making valuations. These valuations are reported on the basis of "material valuation uncertainty", and consequently a higher degree of caution should be attached than would normally be the case.</p>

<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p>	<p>Valuations are made by a RICS qualified valuer in line with RICS and CIPFA guidance.</p> <p>To ensure that valuations are materially correct the council complies with CIPFA's 5-year rolling revaluation programme, thus valuing 20% of assets each year. In addition, the top 20 high value assets are revalued annually.</p> <p>The 80% of assets not revalued in any one year are reviewed using market indices provided by the external valuer to see if further formal valuations are required in addition to the rolling programme.</p> <p>Management agree clear terms of engagement with the external valuer and estates team. These set out for the valuer the requirements, standards, valuation basis, timescales and format of reports.</p> <p>There have not been any changes to the models used.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>Management issue terms of engagement as set out in the response to question 2.</p> <p>The valuations are based on RICS and CIPFA requirements.</p> <p>There have been no changes to assumptions for 2020/21.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	<p>Source data comprises floor area, lease terms and usage data held by the estates team and income and cost data held by financial services. The valuer provides market indices to allow a wider review of asset values.</p> <p>There were no changes to source data for 2020/21.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>Yes - internal and external valuers who are RICS qualified and suitably experienced.</p> <p>The external valuer for the general fund was part of a procurement exercise to cover the financial years 2020/21 and 2021/22. The Poole HRA valuations are procured by Poole Housing Partnership, using the Valuation Office for 2020/21.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Asset valuation reports provided are scrutinised by the estates and accountancy teams and challenged where appropriate if there are significant movements or missing information. Significant movements in value should also be signed off by additional management review by the external valuer.</p> <p>Management also take action where the review by external audit identifies weaknesses in the valuation process as demonstrated in the response to question 1.</p>

<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Adequate controls are in place, with movements in valuations challenged by estates and accountancy teams.</p> <p>External audit review the valuation estimates within the financial statements in detail.</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>Actions have been taken to improve the process from previous years, acting on the findings of external audit during the 2019/20 audit.</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>Valuations are made in line with RICS guidance. A degree of uncertainty is inherent with any revaluation. We employ professional, qualified valuers and rely on expert opinion.</p> <p>Assets are reviewed on a rolling 5-year programme and in addition the top 20 assets by value are valued annually. Assets not formally revalued during the financial year are reviewed using market indices provided by the valuer, and further formal revaluations carried out as required.</p> <p>The accounts disclose that the 2020/21 valuations are reported on the basis of "material valuation uncertainty", and consequently a higher degree of caution should be attached than would normally be the case, due to the impact of the pandemic.</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>If the value of the Council's land and buildings were to reduce by 10%, this would equate to £135 million but would be unlikely to result in a significant charge to the Comprehensive Income and Expenditure Statement due to the level of revaluation reserve balance held of approximately £454 million.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and/or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>These movements are purely accounting adjustments and do not affect the financial standing of the council.</p>

Provisions estimate – business rate appeals

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>As at 31 March 2021 the NDR appeals provision is £30.7 million, of which the council's share disclosed in the financial statements is £15.1 million.</p> <p>There is inherent uncertainty in the calculation of this estimate due to the lack of data from the Valuation Office concerning appeals against the 2017 rating list, since the introduction of their check, challenge, appeal process.</p> <p>There is also uncertainty concerning appeals against the 2010 rating list, which had been closed to new appeals. There is now the potential for material changes of circumstances appeals to be lodged after the agreement to include cash machines (ATMs) in the main rating assessment of a property rather than carrying a separate valuation.</p> <p>The government has prohibited appeals under Material Change of Circumstances in relation to Covid-19.</p> <p>These risks have been addressed through detailed discussion between experienced revenues and accountancy officers as to the best approach to determining a prudent level of provision.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p>	<p>No changes made to these methods or models for 2020/21. The methods used to calculate the provision this year have however used the latest information available as follows.</p> <p>The 2010 list appeal provision was £11.4 million as at 1 April 2020, with £2.5 million of successful appeals during the year reducing the balance. Due to the additional uncertainty created by the possibility of ATM appeals, it was determined appropriate to top this element of the provision back up to £11.4 million as at 31 March 2021.</p> <p>The 2017 list appeal provision was £14.0 million as at 1 April 2020. Due to the lack of data on potential appeals relating to this list, an additional £5.3 million was added to the provision to bring it to £19.3 million as at 31 March 2021. The addition of £5.3 million is based on the 3.5% buoyancy factor included for appeals in the business rate multiplier, applied to the total net business rates collectable of £ 151.5 million.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>The NDR provision is calculated based on:</p> <ul style="list-style-type: none"> • outstanding appeals losses and past experience of successful appeals; • knowledge of recent decisions by the valuation office, for example in relation to ATMs; • applying the buoyancy factor included in the business rate multiplier for the 2017 list provision.

	There were no changes made to these assumptions for 2020/21.
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	<p>The Valuation Office provides data on outstanding appeals.</p> <p>Source data is updated in-year to include appeals settled during the financial year.</p> <p>No changes to source data for 2020/21.</p>
5. Were any specialised skills or knowledge used in respect of this accounting estimate, and if so how were these specialist skills procured?	The accountancy and business rates officers who compile the NDR outturn and appeal data are experienced officers and apply their skills and judgement in determining the estimate.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	The NDR provision is reviewed for reasonableness by the Assistant Chief Financial Officer and Chief Finance Officer.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	<p>Adequate controls are in place. The Assistant Chief Finance Officer and Chief Finance Officer review the work of the accountancy and business rates team and the reasonableness of assumptions applied.</p> <p>The estimate is reviewed by external audit.</p>
8. Were any changes made to the key control activities this year? If so please provide details.	No changes were made to the key control activities.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	<p>There is a significant level of estimation uncertainty in relation to business rate appeals.</p> <p>The value of provision is assessed using information on outstanding appeals rates for the 2010 list and applying the buoyancy factor for the 2017 list.</p>
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	<p>Where appeals are successful, refunds of business rates are generally repayable back to the latest valuation date which reduces the business rate yield in the year in which the refund is made. If successful appeals are higher than the provision then this would lead to a deficit on the collection fund which would need to be repaid in future years.</p> <p>As at 31 March 2021 the NDR appeals provision is £30.7 million, of which the council's share disclosed in the financial statements is £15.1 million. The total provision equates to 20% of net rates payable which reflects the uncertainty concerning appeals against the 2017 list and the increased risk of challenge against the 2010 list due to ATMs.</p>

Valuation of defined benefit net pension fund liabilities estimate

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>The valuation of the pension fund liability is inherently risky due to its complexity and material nature. The risk is addressed by placing reliance on the work of the pension fund actuary, Barnett Waddingham.</p> <p>Due to the effects of Covid-19 a particular risk is the approach to future improvements in mortality. The council has adopted the standard assumption recommended by the actuary in applying a 25% weighting to the Continuous Mortality Investigation (CMI) Bureau's 2020 model.</p> <p>The valuation of pension fund assets, particularly property and pooled property investment funds, are subject to the same uncertainty due to the pandemic as council owned property. The accounts disclose this additional valuation uncertainty.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p>	<p>Before the year end the actuary asks admitted bodies for decisions where there is discretion on the methods used to determine the accounting position, rather than using the standard approach recommended by the actuary. The actuary provides the council with a briefing note on each method or assumption to inform their decision.</p> <p>Considerations made by management regarding methods for the pension valuation as at 31 March 2021 were as follows:</p> <p>Management did not consider an events report was required as there were no material settlements or curtailments (eg through outsourcings or unreduced early retirements) during the reporting period. This is consistent with the previous year. Therefore the actuary is not treating any settlements made in the year as material special events that require additional remeasurement using current assumptions. In total capitalised pension curtailment costs amounted to £1.7 million.</p> <p>Management opted to make an allowance for actual pension increase experience since the last valuation rather than opting out. This is in line with the standard approach of the actuary for 2020/21 but differs to previous years. The change is warranted because actual pension increases have been less than assumed since the last full pension fund valuation.</p> <p>Management opted for pension asset valuations to be based on actual fund assets as at 31 March 2021 rather than based on February values estimated to 31 March in order that no estimation is required. This is in line with the council's approach last year.</p>

<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>The actuary recommends standard assumptions to determine this accounting estimate, although these can be adjusted by management to better reflect local circumstances where appropriate.</p> <p>Management did not consider that any changes to the standard assumptions (eg demographic or financial assumptions) were warranted for 2020/21, which is consistent with previous years, although the actuary's standard assumption with regard to mortality rates was changed to reflect the effect of the pandemic.</p> <p>The key financial assumptions for determining the pension liability are the discount rate, linked to corporate bond yields and the future rate of inflation.</p> <p>The key demographic assumption is the mortality assumption, projecting current mortality rates into the future. The Continuous Mortality Investigation (CMI) Bureau made a material change to their 2020 mortality model compared to previous versions due to the impact of abnormal mortality data, including a 2020 weight parameter so that exceptional mortality experienced from the pandemic can be incorporated without having a disproportionate impact on results.</p> <p>Changing the 2020 weight parameter has a material impact on projected mortality improvements, the higher the weight the lower the future mortality improvements and the lower the pension liability. The actuary has recommended a weight of 25% is used as the standard assumption, and this has been adopted by management.</p> <p>The pandemic has led to a sharp increase in reported deaths and the actuary's view is that high pensioner mortality experience will continue to be heavier over the short and medium term as a result of the pandemic but also the effect of the economic contraction and lockdowns on health.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	<p>There are several sources of data for this accounting estimate:</p> <ul style="list-style-type: none"> • Last full actuarial valuation March 2019; • Pension fund asset values at 31 March 2021; • Pension fund income and expenditure to 31 March 2021; • BCP Council payroll and pensionable pay data for contributions; • Pension fund membership data; • RPI / CPI data; • Bond yield data; <p>These data sets are standard for pension fund valuations and consistent with previous years.</p>

5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	The council uses the pension fund actuary, Barnett Waddingham, to advise on the approach required for valuing pension fund liabilities. The Dorset Pension Fund procures the actuary on behalf of all admitted bodies.
6. How do management monitor the operation of control activities in relation to this accounting estimate, including the control activities at any service providers or management experts?	<p>Management consider the pre and post March briefing notes supplied by the actuary to consider the issues raised and also attend the annual pension fund briefing where approaches to employer contributions and addressing pension deficits can be agreed.</p> <p>The actuary engages early with admitted bodies to discuss the need for bespoke assumptions for individual organisations and to ensure that the data used is up to date.</p> <p>The actuarial valuation supplied for the accounts is accompanied by a report explaining the impact of the assumptions and methods used on the balance sheet figures. The report is reviewed by management.</p>
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	<p>Yes, controls are adequate with sufficient detailed briefing notes provided by the actuary to explain the methods, assumptions and results relating to the valuation.</p> <p>Pension disclosures are reviewed by external audit.</p>
8. Were any changes made to the key control activities this year? If so please provide details.	No.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	The sources of estimation uncertainty are explained in detail in the actuary's briefing notes and reports. Management address this uncertainty by considering whether bespoke assumptions and methods are required for the council rather than the standard assumptions recommended by the actuary.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	<p>The actuary provides a sensitivity analysis with the valuation report that calculates the financial impact of changes in key assumptions such as longevity, salary increases and the discount rate. This is published in the statement of accounts.</p> <p>A small change in actuarial assumptions can have a material effect on the present value of the total pension obligation. For example, a 0.1% change in the discount rate can increase or decrease the obligation by approximately £43 million.</p>

Accruals of income and expenditure

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>No risks identified relating to the material accuracy of accruals.</p> <p>More data is available to assist in the calculation of accruals for 2020/21 as it is the second year of operation for BCP Council.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p>	<p>Standard accruals accounting is used. Accruals are based on expenditure incurred that has not yet been paid or income due that has not yet been received. Activity is accounted for in the year it takes place, not when money is paid or received.</p> <p>Accruals for income and expenditure are principally based on known values. Where accruals are estimated they are based on the latest information available.</p> <p>No changes for 2020/21.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>Procedures and deadlines for identifying accruals are included in the closedown instructions distributed to accountants and budget holders.</p> <p>No changes in assumptions 2020/21.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	<p>Various sources of data are used in calculating accruals including previous outturn and estimated usage.</p> <p>No changes for 2020/21.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>No specialised skills or knowledge used apart from knowledge of budget holders in relation to their services.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Depending on their value, accruals are reviewed by either Finance Managers, Assistant Chief Finance Officers or the Chief Finance Officer on a weekly basis during the closedown period.</p>

7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	<p>Adequate controls are in place.</p> <p>Controls are subject to review from management and external audit.</p>
8. Were any changes made to the key control activities this year? If so please provide details.	No changes to the key control activities.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Accruals are largely based on known values, where estimates are used the level of uncertainty is not deemed to be material.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	<p>The level of uncertainty in respect of estimates made is not deemed to be material.</p> <p>The council has adopted a materiality level for individual accruals of £25 thousand.</p>

Bad debts and expected credit loss estimate

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>Uncertainty risk exists that expected credit loss provisions recognised in respect of debtors will be insufficient.</p> <p>To address this risk debts are reviewed and analysed by type, age, historic experience of default and through liaison with budget managers in order to make a prudent estimate of credit losses.</p> <p>The risk of increased credit losses due to Covid-19 was assessed particularly for the effect on council tax and NDR arrears in the collection fund.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p>	<p>Collective lifetime expected credit losses are calculated based on the credit risk, the credit status of the instrument and whether there has been any change in the credit risk since initial recognition.</p> <p>There have been no changes to these methods but specific factors in the calculation have been reviewed in light of the risks identified, for example changes to council tax and business rate collection rates.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>Assumptions are based on the reasonable and supportable credit risk information available e.g. the nature of the debt, the age of the debt and the likelihood of recovery.</p> <p>The assumptions were revisited as part of the 2020/21 accounts process to ensure that they remain prudent and soundly based.</p> <p>Council tax debtors (estimate £11.9 million):</p> <ul style="list-style-type: none"> • based on 5%-100% of arrears based on age; • additional Covid-19 assumption included £5.3 million to reflect a reduction in the collection rate of 2% in 2020/21 applied against £261.7 million collectable debit. <p>Business rate debtors (estimate £8.9 million):</p> <ul style="list-style-type: none"> • based on 10% - 100% of arrears based on age; • additional Covid-19 assumption included £5.4 million to match total increase in arrears between 31 March 2020 and 31 March 2021 (an 80% increase). <p>Sundry debtors (estimate £19.6 million):</p> <ul style="list-style-type: none"> • Sundry debt - based on 10% - 80% of arrears based on age; • Housing benefit debtors – based on 50% for accounts in payment and 100% for inhibited debt.

<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	<p>Source data available from accounts receivable and the revenues systems combined with intelligence from service managers.</p> <p>No changes for 2020/21.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>No.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Debt is monitored as part of the quarterly revenue budget monitoring; Quarterly reports on outstanding debt at cost centre level are provided to service accountants, regular write off of bad debts are approved as per the financial regulations depending on the total value of the write offs.</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Yes – management has oversight of the source data and assumptions.</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>No.</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>Management consider the potential materiality and risk as part of their review process.</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>The approach to calculating bad debt provisions take account of the age of debts and apply an increasing proportion set aside for non-payment as the debt gets older.</p> <p>The total provisions set aside compared to outstanding debt are as follows, representing prudent levels according to the risk profile of the debts outstanding. Previous experience of bad debt provisions compared to actual amounts of debt written off give assurance that the assumptions used are materially correct.</p> <p>Total arrears by class:</p> <ul style="list-style-type: none"> • Business rate provision 74% of arrears; • Council tax provision 38% of arrears; • Debtor provision 25% of arrears;

Fair Value estimates – Investment Properties

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>Investment properties are valued annually at fair value.</p> <p>Additional estimation uncertainty with regard to investment property valuations could exist at the balance sheet date due to the impact of Covid-19 on market evidence such as sales, rentals and yields in respect of comparable properties. However the Council valuers have confirmed this not to be an issue and therefore this estimation uncertainty is not disclosed in the financial statements.</p> <p>Risks addressed by the use of suitably qualified (RICS) external valuers, Bruton Knowles, for investment properties.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p>	<p>Valuations undertaken by a qualified external valuer (RICS member) in line with RICS and CIPFA guidance on an annual basis.</p> <p>Investment property valuations are based on fair value, which reflects the price that would be received to sell an asset in the market.</p> <p>The finance team issue terms of engagement to the internal valuer.</p> <p>No changes in method or models in 2020/21.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>Valuations undertaken in line with RICS and CIPFA guidance.</p> <p>Valuations are based on assumptions of sale values, rentals and yields.</p> <p>No changes to assumptions for 2020/21 although the effect of the pandemic has been taken into account when valuing investment properties.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	<p>The valuers have access to the source data such as lease agreements, tenant data and income streams.</p> <p>Valuations are based on observable and unobservable inputs within a valuation hierarchy for fair value assets.</p> <p>Observable inputs use market data such as publicly available information about actual events or transactions that reflect the assumptions that market participants would use when pricing an asset.</p> <p>Unobservable inputs are used where market data is not available and use the best information available about the assumptions that market participants would use when pricing an asset.</p>

	<p>The council's investment properties mostly fall into level two of the valuation hierarchy. They are valued using the market approach which takes into account transactional evidence for similar assets in active markets. Market conditions are such that comparable properties are actively bought and sold and there are sufficient observable inputs.</p> <p>A minority of the council's investment properties fall into level three of the valuation hierarchy where non market data is used as there are no direct observable inputs.</p> <p>No changes to source data for 2020/21.</p>
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Yes – for 2020/21 a new external valuer, Bruton Knowles, was procured through a competitive process.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	<p>All valuations provided to management will be subject to robust review and challenge if appropriate. This will ensure any significant movements or assumptions are understood and consistent with the knowledge and experience of the team.</p> <p>Management ensure that valuers appointed are independent, professional, suitably experienced and qualified.</p>
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	<p>Adequate controls are in place, assurances are sought and provided on the qualifications, independence and experience of the valuers as management experts.</p> <p>Controls are subject to review from external audit.</p>
8. Were any changes made to the key control activities this year? If so please provide details.	<p>In light of the comments in the Grant Thornton Audit Findings Report for 2019/20 concerning the improvements required to the council's valuation processes and valuers being able to support the valuations they make, management have addressed the risk of a repetition of these issues in 2020/21 by:</p> <ul style="list-style-type: none"> • Use of a single valuer for all general fund assets; • Early engagement with Bruton Knowles and Grant Thornton to agree requirements; • Latest capital programme issued to external valuer; • External surveyors engaged to provide floor plans where these were missing for significant assets due to be valued as at 31 March 2021.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	<p>Valuations are made in line with RICS and CIPFA guidance. A degree of uncertainty is inherent with any revaluation. We employ professional valuers and rely on expert opinion.</p> <p>Additional estimation uncertainty with regard to investment property valuations could exist at the balance sheet date due to the impact of Covid-19 on market evidence such as sales,</p>

	<p>rentals and yields in respect of comparable properties. However the Council valuers have confirmed this not to be an issue and therefore this estimation uncertainty is not disclosed in the financial statements.</p> <p>All investment properties are valued annually to minimise the inherent uncertainty.</p>
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	<p>Estimated fair values may differ from actual prices that could be achieved in an arm's length transaction at the reporting date.</p> <p>The value of investment property held at the balance sheet date is £90.2 million.</p> <p>A decrease in the value of investment properties of 10% would equate to £9.0 million with the loss being recorded in the Comprehensive Income and Expenditure Statement.</p>

Fair Value estimates – Financial Instruments

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>No particular risks identified other than the risks inherent with financial instruments such as credit risk, liquidity risk and market risk.</p> <p>Such risks are managed through adherence to CIPFA's Code of Practice on Treasury Management and through the council's Treasury Management Policy which is approved annually by the Audit and Governance Committee.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p>	<p>The requirements for the valuation and accounting of financial instruments is prescribed by IFRS9 Financial Instruments and IFRS13 Fair Value.</p> <p>Financial assets and liabilities, such as long-term debtors, investments and borrowings, are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instrument.</p> <ul style="list-style-type: none"> • The fair value of the PWLB borrowings can be determined using the new loans rate; • For instruments maturing within 12 months, the fair value is assumed to be the carrying value; <p>There are no changes for 2020/21.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>Loans taken out by the council are valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.</p> <p>For loans from the PWLB transfer values (new loan rates) have been applied to provide fair value under the PWLB debt redemption procedure.</p> <p>There were no changes to assumptions for 2020/21.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	<p>Source data is readily available, such as the council's existing portfolio of financial instruments and market information on current interest rates and yields.</p> <p>There are no changes for 2020/21.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>Yes – the council's treasury advisors, Link Treasury Services, provide information and calculations for the fair value of borrowings.</p>

6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	<p>Management review the results of the fair value calculation for reasonableness.</p> <p>The accounting estimate for fair value is reviewed by external audit.</p>
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, adequate controls are in place for fair value calculations for financial instruments.
8. Were any changes made to the key control activities this year? If so please provide details.	No.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	There is limited estimation uncertainty attached to this accounting estimate as the source data used to inform this estimate comes from the PWLB website for new loan rates and redemption penalties.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	There is limited estimation uncertainty attached to this accounting estimate.

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Audit & Governance Committee

Report Subject	Treasury Management Monitoring Outturn 2020/21 and update for Quarter 1 2021/22
Meeting date	29 July 2021
Status	Public
Executive summary	<p>This report sets out the monitoring of the Council's Treasury Management function for the period 1 April 2020 to 31 March 2021.</p> <p>A surplus of £18k has been achieved through a reduced need to carry out temporary borrowing due to high cash balances generated from funding paid in advance associated with the government's response to the pandemic.</p> <p>The report also sets out the Quarter One performance for 2021/22 which forecasts an underspend of £171k due to a lower requirement for temporary borrowing.</p> <p>Further to the standard update the reports seeks approval to a minor adjustment to the Councils minimum revenue provision policy as well as seeking endorsement to increase our borrowing head room in line with the proposal set out in the financial strategy supporting the proposed 2022/23 budget as endorsed by Cabinet.</p>
Recommendations	<p>It is recommended that Audit & Governance Committee:</p> <ol style="list-style-type: none"> 1) note the reported activity of the Treasury Management function for 2020/21 2) note the reported activity of the Treasury Management function for April to June 2021 3) note and endorse the update on borrowing set out from paragraph 23-29 4) approve and recommend to Full Council the revised prudential indicators set out in table 8 and the proposed adjustment to the Council Minimum Revenue Provision policy as set out in paragraph 32.
Reasons for recommendations	<p>It is a requirement under the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice that regular monitoring of the Treasury Management function is reported to Members.</p> <p>Council are required to approve any changes to the prudential indicators based on a recommendation from the Audit & Governance Committee.</p>

Portfolio Holder	Councillor Drew Mellor, Leader, Finance & Transformation
Corporate Director	Graham Farrant, Chief Executive
Service Director	Adam Richens - Chief Financial Officer
Classification	For information and recommendation
Report author	Matthew Filmer, Finance Manager - Corporate ☎ 01202 128503 ✉ matthew.filmer@bcpcouncil.gov.uk

Background Detail

1. Treasury Management is defined as the management of the Council's cash flows, its borrowings and investments, the management of the associated risks and the pursuit of the optimum performance or return consistent with those risks.
2. The Treasury Management function operates in accordance with The Chartered Institute of Public Finance and Accountancy (CIPFA) 'Treasury Management in the Public Services' Code of Practice (2011).
3. The Treasury Management function manages the Council's cash flow by exercising effective cash management and ensuring that the bank balance is as close to nil as possible. The objective is to ensure that bank charges are kept to a minimum whilst maximising interest earned. A sound understanding of the Council's business and cash flow cycles enables funds to be managed efficiently.
4. This report considers the treasury management activities in relation to the Treasury Management Strategy. Also included is a summary of the current economic climate, an overview of the estimated performance of the treasury function, an update on the borrowing strategy, investments and compliance with prudential indicators.

Economic Background

5. The 24 June Monetary Policy Committee (MPC) meeting voted unanimously to keep the Bank Rate unchanged at 0.10%. They voted by a majority of 8-1 to continue unchanged the existing programme of UK government bond purchases of £875bn which is due to end by the end of this year.
6. The MPC noted the developing upside risks in the UK to both activity and inflation. In particular the MPC still appears willing to ride out the inevitable spike in inflation over the next six months as it thinks it will be short-lived and caused by one-off reopening price rises and supply shortages relative to demand - boosted by consumers having built up huge savings of around £145bn during lockdown.
7. The UK latest inflation rate hit 2.5% in the year to June, the highest for nearly three years, as the unlocking of the UK economy continued. The Consumer Prices Index measure of inflation rose from 2.1% in May. On a monthly basis, the Consumer Price Index (CPI) rose by 0.5% in June 2021, compared with a rise of 0.1% in June 2020. The Office for National Statistics (ONS) said that the largest factor pushing inflation upwards was transport costs such as fuel, as well as

higher prices for clothes, food and footwear. The data came a day after it was revealed that US inflation had risen to 5.4%.

8. The rate is higher than the Bank of England's 2% inflation target for a second month. This is fuelling the debate about whether interest rates need to go up sooner, with economists predicting inflation could reach nearly 4% this year.

Interest Rates

9. Table 1 below which is produced by the authority's treasury consultants Link Asset Services illustrates that there is an expectation, albeit tentatively that the bank rate will only increase in September 2023 with Public Works Loan Board (PWLb) borrowing rates continuing to edge up very marginally over that period.

Table 1: Interest rate projection (Link Asset Services)

Link Group Interest Rate View		10.5.21										
	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.25	0.25	0.25
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.30	0.30	0.30
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.20	0.30	0.40	0.40	0.40
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.30	0.30	0.40	0.50	0.50	0.50
5 yr PWLB	1.20	1.20	1.30	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50
10 yr PWLB	1.70	1.70	1.70	1.80	1.80	1.90	1.90	1.90	2.00	2.00	2.00	2.00
25 yr PWLB	2.20	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.30	2.30	2.40

Treasury Management Performance 2020/21

10. Table 2 below shows the final overall treasury management position for 2020/21. Investment income fell short of the budget set for 2020/21 by £11k. This was down to historically low interest rates being earned on the Council investments.
11. The interest paid on borrowing was £29k under budget. This was mainly driven by the reduced need to carry out temporary borrowing. The Government had provided significant cash resources due COVID19 which meant cash balances throughout the year were higher than assumed in the budget setting.

Table 2: Treasury Management Performance 2020/21

	Actuals 2020/21 £'000	Budget 2020/21 £'000	Variance 2020/21 £'000
<u>Expenditure</u>			
Interest Paid on Borrowings	1,771	1,800	(29)
<u>Income</u>			
Investment Interest Received	(174)	(185)	11
Total	1,597	1,615	(18)

Borrowing

12. The Council has adopted a two-pool approach to debt management, separating the debts of the General Fund (Pool 1) and the Housing Revenue Account (HRA) (Pool 2). The HRA pool is a combination of both the Poole and Bournemouth Neighbourhood HRA accounts.
13. Table 3 below shows the closing level of borrowing for the Council.

Table 3: Council Borrowings as at 31 March 2021

Initial Loan Value £'000	Interest Rate	Balance as at 31 Mar 2021 £'000	Maturity Date	General Fund Pool £'000	HRA Pool £'000	Source
Short Term Borrowing						
10,000	0.90%	10,000	26-Apr-2021	10,000	-	Nottingham City Council
5,000	0.85%	5,000	28-Apr-2021	5,000	-	Wokingham Borough Council
5,000	0.19%	5,000	30-Apr-2021	5,000	-	Portsmouth City Council
10,000	0.19%	10,000	24-May-2021	10,000	-	South Yorkshire Pensions Authority
5,000	0.19%	5,000	24-May-2021	5,000	-	Solihull MBC
2,000	8.00%	2,000	25-Nov-2021	-	2,000	PWLB
37,000	1.72% <i>Average Rate</i>	37,000		35,000	2,000	
Long Term Borrowing						
2,000	8.00%	2,000	25-Nov-2022	-	2,000	PWLB
5,000	2.66%	1,042	22-Aug-2023	-	1,042	PWLB
5,000	4.45%	5,000	24-Sep-2030	-	5,000	PWLB
5,000	4.45%	5,000	24-Nov-2031	5,000	-	PWLB
5,000	4.75%	5,000	24-Sep-2032	-	5,000	PWLB
5,000	4.45%	5,000	24-Nov-2032	5,000	-	PWLB
5,000	4.75%	5,000	24-Sep-2033	-	5,000	PWLB
5,000	4.60%	5,000	23-Feb-2035	-	5,000	PWLB
5,000	4.72%	5,000	22-Aug-2036	-	5,000	PWLB
5,000	2.80%	5,000	20-Jun-2041	5,000	-	PWLB
5,000	2.80%	5,000	20-Jun-2041	5,000	-	PWLB
2,500	6.75%	2,500	06-Mar-2056	-	2,500	PWLB
1,500	6.75%	1,500	13-Mar-2057	-	1,500	PWLB
1,500	5.88%	1,500	07-Mar-2058	-	1,500	PWLB
42,488	3.48%	42,488	28-Mar-2062	-	42,488	PWLB
43,908	3.48%	43,908	28-Mar-2062	-	43,908	PWLB
143,896		139,938		20,000	119,938	
22,625	2.26% + RPI Annually	17,046	17-Oct-2039	17,046	-	Prudential Assurance Co
3,673	0.00%	507	01-Apr-2023	507	-	Salix
207,194		194,491		72,553	121,938	

Investments

14. During the year, cash surpluses are invested by the Treasury Management team through direct dealing or money brokers with approved counterparties. The Council's counterparty list i.e. the list of organisations that it has been agreed that the Council can invest with has become increasingly restricted in recent years

due to the economic climate and the criteria used to select appropriate organisations.

15. A full list of investments held by the authority as at 31 March 2021 is shown in Table 4 below.

Table 4: Investment Summary as at 31 March 2021

Investments	Maturity Date	Principal Amount £	Interest %
<u>Fixed Term Deposits</u>			
Cheshire East Council	22-Apr-2021	5,000,000	0.10%
Surrey County Council	26-Apr-2021	10,000,000	0.10%
Lloyds Bank	14-May-2021	15,180,472	0.10%
Rugby Borough Council	11-Jun-2021	5,000,000	0.17%
Close Brothers	29-Sep-2021	10,000,000	0.25%
Sub Total		45,180,472	
<u>Call Account</u>			
Handelsbanken	instant access	11,505,000	0.01%
Total		56,685,472	

16. The Treasury Management function has continued to achieve higher average returns of 0.17% for the period 1 April 2020 to 31 March 2021 for its combined investment compared to the average 7-day benchmark rate of (0.07%).

Treasury Management Performance 2021/22

17. Table 5 below shows the overall treasury management position for 2021/22. The current forecast is an underspend of £171k on interest payable budgets. This is due to higher cash balances than assumed when setting the budget. The Government continue to provide funding to the Council in relation to the Covid-19 pandemic such as financial support to businesses which the Council will distribute over a period of time.

Table 5: Treasury Management performance 2021/22

	Forecast 2021/22 £'000	Budget 2021/22 £'000	Variance 2021/22 £'000
<u>Expenditure</u>			
Interest Paid on Borrowings	3,010	3,181	(171)
<u>Income</u>			
Investment Interest Received	(45)	(45)	0
Total	2,965	3,136	(171)

Borrowing

18. Table 6 below shows the closing level of borrowing for the Council.

Table 6: Council Borrowings as at 30 June 2021

Initial Loan Value £'000	Interest Rate	Balance as at 30 June 2021 £'000	Maturity Date	General Fund Pool £'000	HRA Pool £'000	Source
Short Term Borrowing						
2,000	8.00%	2,000	25-Nov-2021	-	2,000	PWLB
2,000	8.00% <i>Average Rate</i>	2,000		-	2,000	
Long Term Borrowing						
2,000	8.00%	2,000	25-Nov-2022	-	2,000	PWLB
5,000	2.66%	1,042	22-Aug-2023	-	1,042	PWLB
5,000	4.45%	5,000	24-Sep-2030	-	5,000	PWLB
5,000	4.45%	5,000	24-Nov-2031	5,000	-	PWLB
5,000	4.75%	5,000	24-Sep-2032	-	5,000	PWLB
5,000	4.45%	5,000	24-Nov-2032	5,000	-	PWLB
5,000	4.75%	5,000	24-Sep-2033	-	5,000	PWLB
5,000	4.60%	5,000	23-Feb-2035	-	5,000	PWLB
5,000	4.72%	5,000	22-Aug-2036	-	5,000	PWLB
5,000	2.80%	5,000	20-Jun-2041	5,000	-	PWLB
5,000	2.80%	5,000	20-Jun-2041	5,000	-	PWLB
2,500	6.75%	2,500	06-Mar-2056	-	2,500	PWLB
1,500	6.75%	1,500	13-Mar-2057	-	1,500	PWLB
1,500	5.88%	1,500	07-Mar-2058	-	1,500	PWLB
42,488	3.48%	42,488	28-Mar-2062	-	42,488	PWLB
43,908	3.48%	43,908	28-Mar-2062	-	43,908	PWLB
143,896		139,938		20,000	119,938	
49,000	2.83%	49,000	24-May-2068	49,000	-	Phoenix Life Limited
22,625	2.26% + RPI Annually	16,858	17-Oct-2039	16,858	-	Prudential Assurance Co
3,673	0.00%	381	01-Apr-2023	381	-	Salix
221,194		208,177		86,239	121,938	

Investments

19. A full list of investments held by the authority as at 30 June 2021 is shown in Table 7 overleaf.

Table 7: Investment Summary as at 30 June 2021

Investments	Maturity Date	Principal Amount £	Interest %
<u>Fixed Term Deposits</u>			
Close Brothers	29-Sep-2021	10,000,000	0.25%
Goldman Sachs International Bank	05-Nov-2021	15,000,000	0.25%
Close Brothers	24-Nov-2021	12,800,000	0.25%
Sub Total		37,800,000	
<u>Call Account</u>			
Santander UK	120 day notice	22,825,000	0.25%
Handelsbanken	instant access	27,090,000	0.01%
Aberdeen Standard Liquidity Fund	instant access	10,325,000	0.01%
Total		98,040,000	

Prudential Indicators

20. The Treasury Management Prudential Code Indicators were set as part of the 2020/21 & 2021/22 Treasury Management Strategy. It can be confirmed that all indicators have been complied with during all of 2020/21 and the period 1 April 2021 to 30 June 2021.

Compliance with Policy

21. The Treasury Management activities of the Council are regularly audited both internally and externally to ensure compliance with the Council's Financial Regulations. The recent internal audit in September 2020 rated the Treasury Management function as "Substantial" assurance which means that there is a sound control framework which is designed to achieve the service objectives, with key controls being consistently applied.
22. The Treasury Management Strategy requires that surplus funds are placed with major financial institutions but that no more than 25% (AA- Rated Institutions) or 20% (A to A- Rated) of the investment holding is placed with any one major financial institution at the time the investment takes place. It can be confirmed that the Treasury Management Strategy has been complied with during the period 1 April 2020 to 30 June 2021.

Debt Headroom

23. The Committee was made aware on 21 January 2021 through the Treasury Management update that the Council was looking to refinance its capital investment programme significantly in response to the financial challenge presented by the global public health emergency. This process focussed on

switching capital reserve allocations within projects to in most cases prudential borrowing.

24. The implication of this change was allowed for in the Councils Treasury Management Strategy 2021/22.
25. Further to this change the Council has continued to explore its ambition to invest in its local community and regenerate areas of the conurbation as expressed thorough its “Big Plan”. The large-scale projects which underpin such ambition will, by and large, need to be funded through increased borrowing if the Council is to retain ownership of the assets created.
26. To ensure that the level of borrowing remains prudent and at scale to the size of the authority, the Finance team have carried out extensive analysis of what impact these ambitions will have on the Council’s Capital Financing Requirement (CFR). This has then been compared to all upper tier authorities CFR’s to see where the Council would be situated. Appendix 1 to this report sets out this benchmarking work.
27. This analysis has then allowed us to set a self-imposed level of debt which enshrines the need for borrowing to remain prudent and affordable. The intention would be to move to the mid-point of all upper tier authorities as a percentage of net revenue expenditure. Such an approach has enabled the Council to determine that it will have debt headroom of £212 million on the 31 March 2024 compared to its 31 March 2024 forecast position.
28. This provides the parameters for the additional amount available to the Council to support its regeneration and big plan ambitions. This amount is additional to the £184 million already set aside via prudential borrowing in the capital programme to support service delivery, housing and regeneration schemes over the next three years such as those the being delivered to increase its housing stock and the schemes being delivered by the Bournemouth Development Company (BDC).
29. It is important that Audit and Governance committee are aware and confident of the implications of this decision on the Council. To ensure we remain compliant under statutory limit determined under section 3 (1) of the Local Government Act 2003, we are required to revise the borrowing prudential indicators within the Treasury Management Strategy for 2021/22. As part of the regulatory framework, Full Council is required to approve these revised indicators set out in table 8 below:

Table 8: Revised Treasury Indicators: limits to borrowing activity

	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Operational boundary	550	797	855	855
Authorised limit	600	847	905	905

Minimum Revenue Provision

30. The Council is under a duty to annually set aside revenue funds for the prudential repayment of outstanding capital borrowing in accordance with provisions set out in CIPFA's Prudential Code and Ministry of Housing, Communities and Local Government's (MHCLG) Statutory Guidance on Minimum Revenue Provision. The setting aside of revenue funds for the future repayment of outstanding borrowing is referred to as a Minimum Revenue Provision (MRP) charge.
31. It is proposed that alongside the Council agreed MRP policy set out in the 2021/22 Treasury Management Strategy that a small amendment is made to allow flexibility around assets under construction.
32. Assets under construction which have yet to fully deliver their expected benefits will not be subject to MRP charges to the Revenue Account until such time as they become operational for a full accounting year. Accordingly, on becoming operational, the charge for MRP will not commence until the following financial year.
33. As part of the regulatory framework, Full Council is required to approve a Minimum Revenue Provision (MRP) Policy.

Summary of Financial/Resource Implications

34. Financial implications are as outlined within the report.

Summary of Legal Implications

35. There are no known legal implications.

Summary of Equalities and Diversity Impact

36. The Treasury Management activity does not directly impact on any of the services provided by the Council or how those services are structured. The success of the function will have an impact on the extent to which sufficient financial resources are available to fund services to all members of the community.

Summary of Risk Assessment

37. The Treasury Management Policy seeks to consider and minimise various risks encountered when investing surplus cash through the money markets. The aim in accordance with the CIPFA Code of Practice for Treasury Management is to place a greater emphasis on the security and liquidity of funds rather than the return gained on investments. The main perceived risks associated with treasury management are discussed below.

Credit Risks

38. Risk that a counterparty will default, fully or partially, on an investment placed with them. There were no counterparty defaults during the year to date, the Council's position is that it will invest the majority of its cash in the main UK Banks which are considered to be relatively risk adverse and have been heavily protected by the UK Government over the last few years. The strategy is being constantly monitored and may change if UK Bank Long Term ratings fall below acceptable levels.

Liquidity Risks

39. Aims to ensure that the Council has sufficient cash available when it is needed. This was actively managed throughout the year and there are no liquidity issues to report.

Re-financing Risks

40. Managing the exposure to replacing financial instruments (borrowings) as and when they mature. The Council continues to monitor premiums and discounts in relation to redeeming debt early. Only if interest rates result in a discount that will benefit the Council would early redemption be considered.

Interest Rate Risks

41. Exposure to interest rate movements on its borrowings and investments. The Council is protected from rate movements once a loan or investment is agreed as the vast majority of transactions are secured at a fixed rate.

Price Risk

42. Relates to changes in the value of an investment due to variation in price. The Council does not invest in Gilts or any other investments that would lead to a reduction in the principal value repaid on maturity.

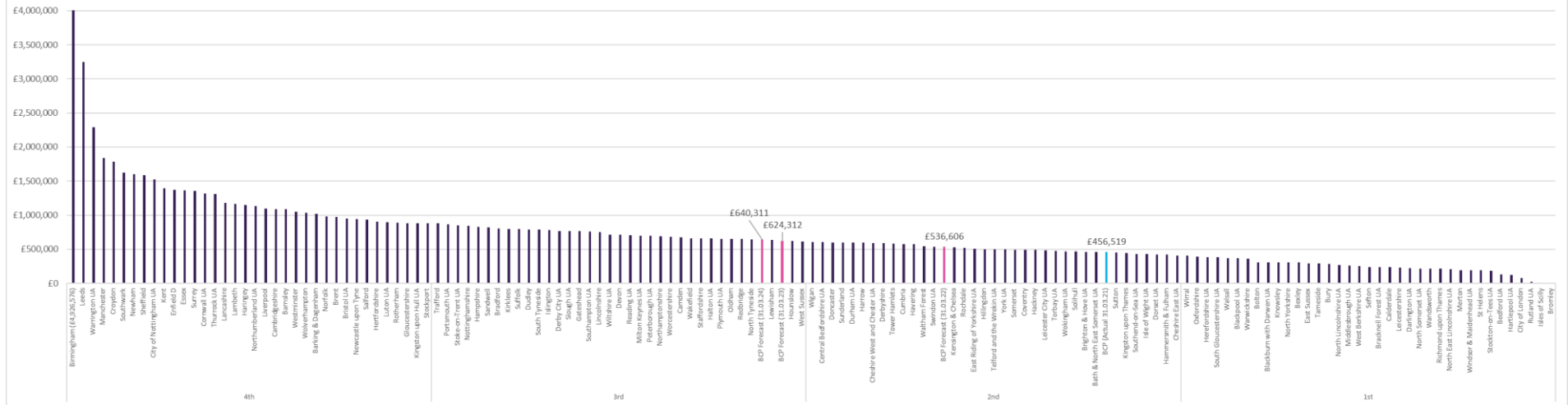
Background papers

43. Treasury Management report to Full Council on 23 February 2021
<https://democracy.bcpccouncil.gov.uk/documents/g4287/Public%20reports%20pack%2023rd-Feb-2021%2019.00%20Council.pdf?T=10>

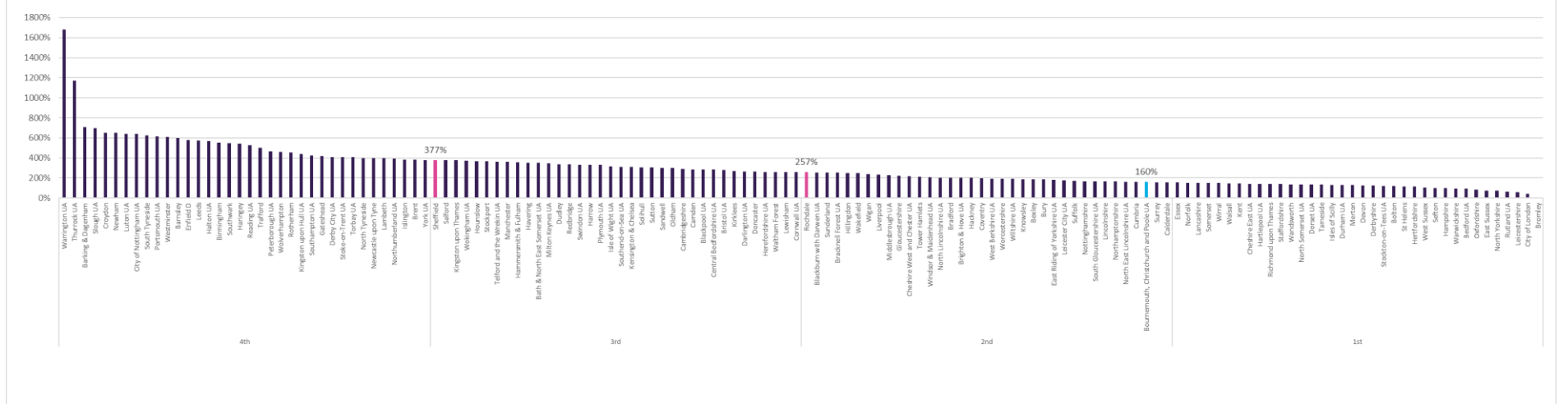
Appendices

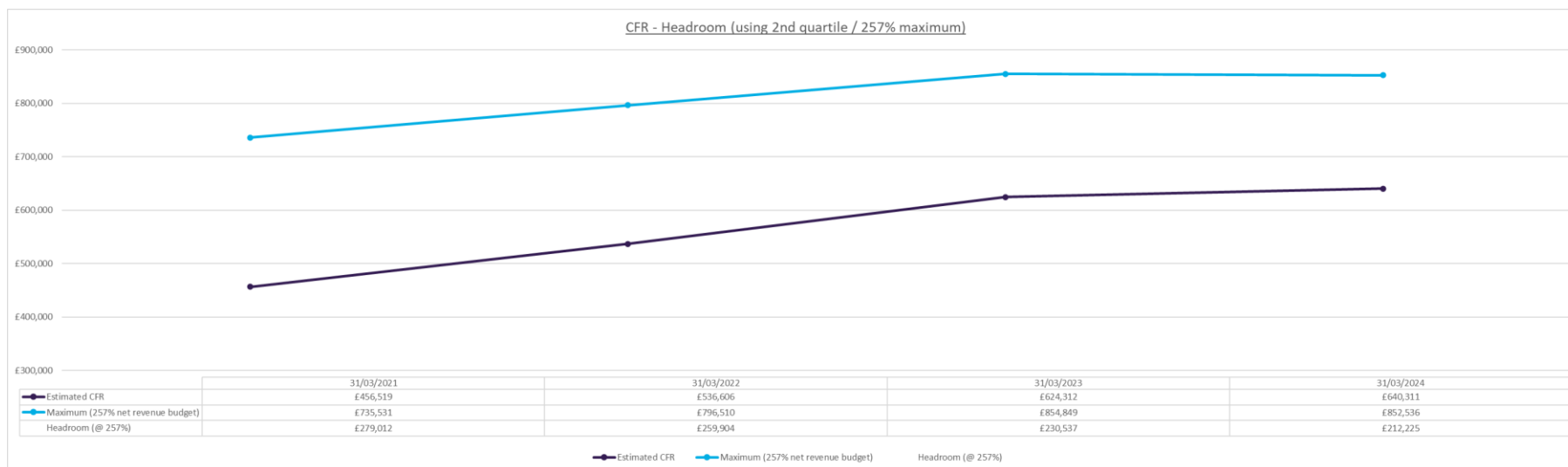
Appendix 1 - BCP Council Debt Benchmarking

Capital Financing Requirement by Local Authority (Estimates 2020/21)



CFR as a % of Net Revenue Expenditure





Capital Financing Requirement Summary Forecasting 2021/22

	General Fund	HRA (Poole)	HRA (Bournemouth)	Total
	£'000	£'000	£'000	£'000
CFR 1st April 2020 (actual)	308,103	83,052	57,292	448,448
Capital Investment	22,980	0	0	22,980
Capital Receipt set aside to repay borrowing	(892)	(427)	(4,264)	(4,690)
GF and HRA Transfers	(2,239)	(261)	2,500	0
Revenue provision for repayment of borrowing (MRP)	(9,327)	0	0	(9,327)
CFR 31st March 2021 (actual)	318,625	82,365	55,529	456,519
Capital Investment	46,634	16,500	0	63,134
Outside capital programme / potential commitments	27,819	0	0	27,819
Capital Receipt set aside to repay borrowing	0	(400)	(400)	(800)
GF and HRA Transfers	(4,650)	0	4,650	0
Revenue provision for repayment of borrowing (MRP)	(13,041)	0	0	(13,041)
CFR 31st March 2022 (estimate)	377,362	98,465	59,779	535,606
Capital Investment	14,388	8,000	13,500	35,888
Outside capital programme / potential commitments	65,900	0	0	65,900
Capital Receipt set aside to repay borrowing	0	(400)	(400)	(800)
GF and HRA Transfers	0	0	0	0
Revenue provision for repayment of borrowing (MRP)	(15,703)	0	0	(15,703)
CFR 31st March 2023 (estimate)	445,368	106,065	72,879	624,312
Capital Investment	2,311	7,700	9,100	19,111
Outside capital programme / potential commitments	10,000	0	0	10,000
Capital Receipt set aside to repay borrowing	0	(400)	(400)	(800)
GF and HRA Transfers	0	0	0	0
Revenue provision for repayment of borrowing (MRP)	(17,930)	0	0	(17,930)
CFR 31st March 2024 (estimate)	445,367	113,365	81,579	640,311
Capital Investment	163	0	0	163
Outside capital programme / potential commitments	10,000	0	0	10,000
Capital Receipt set aside to repay borrowing	0	(400)	(400)	(800)
GF and HRA Transfers	0	0	0	0
Revenue provision for repayment of borrowing (MRP)	(17,930)	0	0	(17,930)
CFR 31st March 2025 (estimate)	443,218	112,965	81,179	637,362

AUDIT AND GOVERNANCE COMMITTEE



Report subject	Risk Management - Corporate Risk Register Update
Meeting date	29 July 2021
Status	Public Report
Executive summary	<p>This report updates councillors on the position of the council's Corporate Risk Register. The main updates are as follows:</p> <ul style="list-style-type: none"> • No new risks have been added to the council's Corporate Risk Register during the quarter. • Corporate Risk CR8 - Inability to run an election/ referendum – has been de-escalated and it now returns to being a service risk. • Each of the risks have been reviewed including the Actions Completed and the Actions Proposed.
Recommendations	<p>It is RECOMMENDED that:</p> <p>Members of the Audit and Governance Committee note the update provided in this report relating to corporate risks.</p>
Reason for recommendations	To provide assurance that corporate risks are being managed effectively and continue the development of the council's arrangements for Risk Management and enhance its governance framework.

Portfolio Holder(s):	Cllr Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant – Chief Executive
Report Authors	Fiona Manton Risk & Insurance Manager ☎01202 127055 fiona.manton@bcpcouncil.gov.uk
Wards	Council-wide
Classification	For Update and Information

Background

1. Risk can be broadly defined as the possibility that an action, issue or activity (including inaction) will lead to a loss or an undesirable outcome. It follows that Risk Management is about the identification, assessment and prioritisation of risks followed by co-ordinated control of the probability and impact of that risk.
2. In accordance with the Financial Regulations and the Risk Management Strategy, the Audit and Governance Committee are specifically responsible for ensuring appropriate and effective risk management processes. In practice, this means that the committee members must assure themselves that the council's Risk Management framework is appropriate and operating effectively. The council's Corporate Risk Register is an important element of this framework and is reviewed and updated on a quarterly basis.
3. In line with the decision-making framework in place for BCP Council it was agreed that, effective from day one, BCP Council would, as an interim measure, adopt the legacy Bournemouth Risk Management framework. The scoring matrix in this framework was adjusted to reflect the increased remit of the new authority. A revised Risk Management framework for BCP Council is being developed currently.
4. In addition to the quarterly reviews, in immediate practical terms, the Corporate Management Board continues to monitor risks and ensure appropriate and proportionate mitigating actions continue and evolve as risks change.

Corporate Risk Review

5. Members will recall from the previous updates that the Corporate Risk Register was established at the commencement of BCP Council. It has been routinely reviewed on a quarterly basis. The risks include the continuing impacts of the pandemic.
6. During the last quarter this register has been reviewed and the evidence of this review is included in the risk summary at Appendix 1.
7. Members will be aware that each risk is given a unique identifying number so where risks have been removed from the register the numbers will no longer run sequentially.

Changes in Risk During Quarter 1 – 2021/2022

8. Members will recall that as part of the continued development of risk management, during this quarter each risk was reviewed and as outlined in the report to this Committee in April most of the risks now include a target risk score.
9. During the quarter, a routine update has been provided in relation to each of the risks.
10. Corporate Risk CR8 - Inability to run an election/ referendum – has been de-escalated and is now returns to being a service risk.
11. Whilst the above outlines that many of the risk scores have not changed this is not reflective of management action or inaction. Risks will continue to be influenced by a number of factors including national impacts and operational environment changes.
12. Full details of the updates for this quarter can be found in Appendix 1.

Risk Management Workshop

13. Following discussions at the meeting of this Committee in April it was agreed an informal workshop would be held in June to provide Members with the opportunity to challenge the management of Corporate Risks with the individual risk owners.
14. With each of the risk leads present this gave members the opportunity to seek assurance in relation to the on-going management of each of the risks.
15. In advance each risk was considered and reviewed, and additional consideration given to the continuing risk impacts of the pandemic. The content of Appendix 1 has been updated to reflect this.

Service Development

16. In addition to the reviews of Corporate Risks, the Risk Management Team continues to be engaged in the refresh of service risk registers. This includes engaging with services to understand their current risk arrangements, how these can be improved to deliver a proactive and dynamic risk management environment and how the Risk Management Team can support them in this to deliver a consistent and embedded approach to Risk Management throughout the council. This work is progressing well.
17. Work continues on the draft of a new Risk Management framework for BCP Council. Consideration will be given to the new council's risk appetite and the processes for managing risk consistently across the council. This will also include the mechanisms for risk reporting and risk escalation.
18. As part of the role of the team, continuous “horizon scanning” is undertaken to identify issues that may give rise to risk to the Council. When matters are identified, these are raised with the relevant Corporate / Service Director for review and consideration of any necessary action.
19. In addition to the above, the team undertake an annual sense check of the Corporate Risk Register. This has been undertaken this month and involves reviewing the risk registers of similar sized authorities or of similar type and comparing both the risks and levels of risk against the council's Corporate Risk Register. The outcome of this exercise is fed into the on-going risk reviews.

Summary of financial implications

20. Financial implications relevant to risks are detailed within the relevant risk registers.

Summary of legal implications

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

Summary of human resources implications

22. There are no direct human resources implications from this report.

Summary of sustainability impact

23. There are no direct sustainability implications from this report.

Summary of public health implications

24. There are no direct Public Health implications from this report.

Summary of equality implications

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

Summary of risk assessment

26. The risk management implications are set out within the content of this report.

Background papers

Risk Management – Corporate Risk Register Update Report to the Audit and Governance Committee on 22 April 2021

Appendices




Appendix 1 – Corporate Risk Register Update Q1 – 2021/2022

BCP Council
AUDIT AND GOVERNANCE COMMITTEE
July 2021

CORPORATE RISK REGISTER UPDATE Q1 - 2021/22




1. UPDATES / CHANGES TO THE CORPORATE RISK REGISTER




- 1.1 The Corporate Risk Register (CRR) is updated quarterly. Numbering does not run sequentially as some risks have been removed as reported previously.
- 1.2 Mitigation actions and significant changes this quarter are detailed below.
- 1.3 Further actions and a target risk score is now included for each risk.




RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR1	Failure to respond to the needs arising from a changing demography		<p>Risk Owner: Chief Executive</p> <p>Risk Information:</p> <p>Adults Social Care</p> <p>Over recent years, the need for Adult Social Care (ASC) has been increasing due to a rising older population and due to a growing population of children, young people and adults of working age who have highly complex disabilities and mental health needs. There is also a national and local policy direction of ensuring that people with complex needs do not receive long-term care in a hospital setting but are enabled to live in their local community with appropriate care, treatment and accommodation. ASC has been both funding a higher volume of care packages and placements and an increasing number of very expensive packages of care for people with highly complex needs. Costs for residential care for older people have been rising at a rate of approximately 5% per year due to both national issues such as the rise in the National Living Wage and local market conditions. Nationally, there is still no government strategy for ASC or sustainable funding plan, which contributes to the risks for BCP Council and all local authorities.</p> <p>During the pandemic, ASC has had to respond to the unique demands for providing care packages in the community and care home placements in very short timescales and in relation to care home placements at much higher volume to enable rapid discharge of local people to care homes from hospital. There have been two extended periods where the pandemic incident management has required ASC to make a high number of high-cost residential placements: in March to June 2020 and from November 2020 to March 2021. The level of demand coupled with the percentage of care homes where there were suspensions on new admissions due to COVID outbreaks has very much stretched the capacity of the local care market. There is a legacy of financial cost to the council into 2021/22 and potentially beyond, from the need to make so many high-cost placements.</p> <p>Pressures on the whole NHS system including on hospitals continue in 2021/22. Hospitals continue to operate with reduced capacity due to measures to prevent COVID infection in hospital and during April and May emergency demands on hospitals have been high. ASC is working with all partners to fully implement a “discharge to assess” model of hospital discharge so that the public only stay in hospital when they medically need to do so and can continue their recovery in their own home whenever possible. Government is providing funding for this hospital discharge model until September 2021. However, it is expected that there will be pooled budget arrangements between councils and the NHS to support this programme in the first half of this financial year. Strategic financial planning is required across the Dorset Clinical Commissioning Group and BCP and Dorset Councils to agree how a Home First model of care can be funded from October 2021 onwards.</p> <p>As the level of COVID infection in the community diminishes and with the roll out of the vaccination programme, ASC is working with service users and carers to understand the short and long- term impact of the pandemic on people’s lives. It is anticipated that there will be a high level of demand for carer support services (such as residential respite care) which could not be provided when COVID infection rates have been high. Specific provision had been made within the Better Care Fund (which is a shared pooled budget between the council and Dorset Commissioning Group) to fund additional carer support in 2021/22. It will take time to understand if there will be increased service requirements to meet the needs of people who may be experiencing ill-health due to having contracted COVID19. There remains some level of risk of a further rise in COVID19 cases in the coming year and this combined with other winter pressures, such as seasonal flu, could lead to significant pressures over the coming year on both the NHS and social care services.</p> <p>The ASC Sector is continuing to implement infection control measures to prevent the spread of COVID19 and arrangements which support rapid testing and safe visiting and family contact for residents in care homes. The costs of these additional measures have been funded by central government from May 2020 to end of June 2021. If Government funding were to cease at the end of June, the council will need to agree with providers how these continuing costs are met.</p>		<ul style="list-style-type: none"> Continue to work with Association of Directors of Adult Social Services and the Local Government Association on making the case to Government for a national funding approach to ASC which is sustainable for the public, ASC sector and Local Authorities. Complete work with the council's Strategic Improvement Partner (SIP) on the Transformation programme for ASC so that outcomes for service users and carers can be of high quality and savings can be made in ASC budget which will contribute to the council's Transformation programme. Continue to work with the Local Government Association to use available national comparative analysis of expenditure on ASC across all councils to support the identification and implementation of further costs savings within the Medium Term Financial Plan. Develop and implement with the SIP, plans for Centres of Excellence for Commissioning and Procurement which will ensure the commissioning and contracting of ASC services of good quality and produce short and medium-term savings. Commission with NHS partners and Dorset Council external expertise to support the develop of a Home First programme which will provide good quality community care treatment and enable timely and safe hospital discharge. This external expertise will support partners to develop a sustainable financial strategy across the councils and NHS for the Home First programme. 		March 2024




RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
63			<p>Key Risk Mitigations</p> <ul style="list-style-type: none"> The council will agree by September 2021, key strategies which set out how it intends to work with the social care market to further develop quality and cost-effective care models and services which meet current and future population needs and maximise independence and choice for people who use care services. These strategies are: <ul style="list-style-type: none"> A Market Position Statement for Adult Social Care Commissioning Strategies for Care Homes and Extra Care. A detailed assessment is being made in terms of the continuing costs of the pandemic both in terms of the additional costs of care which have been carried forward into 2021/22 and in-year cost pressures which may arise, including should Central Government discontinue specific grants to the Social Care sector for infection control and rapid testing after Quarter 1. The 2021/22 Adult Social Care budget contains a sum of £1.3 million for additional care costs carried forward from 2020/21 while actual costs carried forward will be reported in the 1st Quarter Cabinet Budget monitoring report for 2021/22. The Government has allocated the council a COVID19 grant for 2021/22 which is un-ringfenced. It has been acknowledged in the Medium Term Financial Plan (MTFP) that the Adult Social Care Directorate may need to make a call on this budget for COVID related expenditure. Adult Social Care is working in partnership with NHS and Dorset Council colleagues to develop a Home First Programme which will support the continuation of a Discharge to Assess model of hospital discharge and will be aimed at preventing avoidable admissions to hospital and care homes. A key element of this work is development of a financial strategy for both 2021/22 as Government funding ends in September and for the longer term MTFP. Adult Social Care will be implementing a “strength-based” approach to all aspects of adult social care which focusses on enabling people to lead full and independent lives ensuring that people are supported to work from the basis of their own choices and strengths and those of their family, friends and in their community. This programme includes fully implementing the agreed model for the Adult Social Care Contact Centre which will offer early and proactive responses to the public and reduce requirements for long-term care. There will be a focus on developing a wider range of housing and supported housing options to reduce the use of residential placements and enabling more adults of working age to train, volunteer and be employed. Strategies for Day Opportunities and for using technology to enable care and independence will be developed and implemented and contribute to the overall strength-based programme. Through this programme, the council will be assured that its financial and staffing resources are best used and managed. 				

RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR1	<p>Failure to respond to the needs arising from a changing demography</p> <p>Risk Continued</p>		<p>Children's Services</p> <p>Risk Information:</p> <p>The pandemic has increased the severity of many domestic abuse and mental health incidents and patterns. The loss of social life has eroded the confidence of many children and young people and has increased isolation and loneliness. Many vulnerable children have been hidden out of sight when they need daily monitoring by a team of professionals actively engaging with them. The extended length of the pandemic is also likely to be increasing child poverty and widening the educational attainment gap between advantaged and disadvantaged children. The true social cost of the pandemic will not be clear for some time. The levels of exhaustion being felt and shown by front-line staff like social workers, teachers and health visitors is also becoming a higher risk with unknown consequences for workforces. This is exacerbated by remote working which makes team support at a secure base much harder to achieve.</p> <p>The only variation to this risk is the increasing likelihood that demands on children's services will increase more than predicted, especially in referrals for domestic abuse and mental health concerns, where a spike is expected over the coming months. An example of this is the number of younger children behaving in distressed and challenging ways in schools (Years 1-6 whereas the pattern before the pandemic was much more Years 5 and 6). The problems caused by the pandemic are, if anything, deeper than predicted, especially in the number of children who have become more disengaged with the mainstream having been out of it for so long.</p> <p>Key Mitigations</p> <ul style="list-style-type: none"> • Improved attendance at critical conferences and reviews through online meetings cutting out travel time • Lower foster care breakdown rates with their carers at home more (data from across 7 countries) • All children and families needing home visits have been visited after risk assessments have been carried out • Recovery plans are in place and local government has a good track record of multi-agency working during recovery • The MASH (Multi-Agency Safeguarding Hub) continues to function well but the assessment service is under severe pressure as a result of the increase in referrals and special attention now needs to be given (again) to stabilise this service. <p>Communities</p> <p>Risk Information:</p> <p>The Communities directorate covers a range of responsive services where demand is often changeable. COVID19 has placed Communities' resources under pressure both in terms of the statutory activity required to respond to the pandemic from a compliance perspective and also in terms of the need to support vulnerable and isolated people in our communities.</p> <p>Key Mitigations</p> <p>There have also been increasing demands on response services such as out of hours nuisance response and anti-social behaviour. However, the benefit of COVID related grant funding has been utilised in order to ensure that staff resource requirements have been appropriate and able to meet these demands.</p>		<p>The relevant actions for this risk are set out in the Children's Services Action Plan. All of these 15 points are relevant to managing demand and adapting service delivery to post-pandemic referrals. Progress on delivery of the action is reported to a robustly functioning Improvement Board which has mandated senior leaders to take further actions as and when necessary to deliver improvements. The pace of change is fast already so cannot easily be quickened.</p> <p>As this is an intrinsic risk there is no target risk date. The target is to manage higher demand whilst improving service quality whilst staying within budget.</p> <p>Communities service planning and risk register monitors this risk and resources are prioritised according to risk and impact on public health.</p>		



RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR2 A	<p>Failure to deliver effective safeguarding arrangements for children & adults</p> <p>ADULTS</p>		<p>Risk Owner: Chief Executive</p> <p>Risk Information:</p> <p>Corporate Context</p> <p>Safeguarding is the responsibility of all members and officers, and this is reflected in the Corporate Safeguarding Strategy which was agreed by Cabinet in September 2019.</p> <p>All relevant partners have worked across Children's and Adults Safeguarding and Community Safety Partnerships to establish effective governance arrangements post Local Government Review which meet all required statutory requirements. As a relatively new council covering a population of almost 400,000, BCP Council must ensure that it is working with all partners in the most effective way to identify, assess and respond to safeguarding and community safety issues, particularly those which cut across children's, adults and community safety.</p> <p>Adult Social Care</p> <p>The pandemic has brought additional pressures to members of the public which has led to increased reporting of safeguarding concerns to adult social services but not a rise in formal safeguarding investigations. Services have been under increased pressure (particularly the NHS and social care providers) and it has been important to ensure that the public continue to receive high quality services and responses and appropriate safeguarding in the radically changed and rapidly changing context of the pandemic.</p> <p>Both the Safeguarding Adult Board and Adult Social Care Services must continue to ensure that there are effective multi-agency responses to all forms of abuse and neglect and that there is a skilled and sufficient workforce to undertake complex work to prevent harm, threat and risk. A particular area for focus for the Safeguarding Adults Board and Adult Social Care within the council is to continue to strengthen quality assurance processes (including the frequency of case auditing) in order that there is comprehensive and timely evidence of good safeguarding practice and a continuous process of learning and development for all staff and managers.</p> <p>A key area for prevention of abuse and neglect is to work with the adult social care provider sector to monitor and continuously improve the quality of services with an objective that all social care provision is judged by the Care Quality Commission to be of a Good or Outstanding quality.</p> <p>Key Mitigations</p> <ul style="list-style-type: none"> • Robust arrangements for Safeguarding Adults on a partnership basis managed through the Safeguarding Adults Board with appointment of a new independent chairperson in April 2021 on retirement of previous post holder. • Evaluation of effectiveness of the new service model adult safeguarding for BCP Council which was implemented in November 2020. Evaluation to be undertaken by November 2021 and staffing capacity required to meet an increased volume of safeguarding concerns will be kept continuously under-review. • An Adult social Care performance management and quality assurance framework is in place and will be strengthened during 2021 with additional case auditing. It is intended that Adult Social Care will be subject to a LGA Peer Review in Spring 2022 with a focus on quality and quality assurance. • Learning from Safeguarding Adult and Domestic Homicide Reviews will continue to be implemented. This includes the appointment of two dedicated staff to manage highest risk cases where a service user presents risks to others in 2021/22. • Implementation of new Liberty Protection Safeguards and Mental Health legislation during by Spring 2023. • Implementation of robust multi-agency approach to monitoring and improving the quality of the adult social care provider sector together with the Care Quality Commission, Dorset Council, Dorset Clinical Commissioning Group and adult social care sector providers. This will include, during 2021/22, the re-introduction of visits to provider services by the Adult Social Care Service Improvement Team in line with national and local Public Health safe practice guidance in relation to COVID19. 		<ul style="list-style-type: none"> • Further strengthen the Adult Safeguarding Board performance and quality assurance processes and Safeguarding Adults Board's line of sight to front line practice. • As new structures are implemented through the council's Smarter Structures programme ensure that there is sufficient capacity to conduct regular independent audits and quality assurance of Adult Social Care safeguarding practice and of casework with people who present high risks in terms of their own safety or to the safety of others. • Work as part of the Community Safety Partnership to reduce the risks and impact of exploitation and County Lines on vulnerable adults. 		March 2024




RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR2 B	Failure to deliver effective safeguarding arrangements for children & adults CHILDREN & COMMUNITIES		<p>Children's Services</p> <p>The pan-Dorset Safeguarding Partnership is not now decoupling, though a BCP delivery arm is being put in place to link the safeguarding partnership closer to the BCP operational safeguarding service.</p> <ul style="list-style-type: none"> BCP has had a SEND (Special Educational Needs and Disabilities) inspection in June 2021 and will receive a 'focused visit' from Ofsted in September 2021 and a full graded ILACS (Inspection of Local Authority Children's Services) inspection (also by Ofsted) early in 2022. Audits (practice learning reviews) are showing month-on-month improvements in the quality of safeguarding assessments, though there is still some way to go before sufficient assurance can be given to remove this risk from the corporate overview. <p>Key Mitigations</p> <ul style="list-style-type: none"> As in CR1, the focus on the Children's Services improvement journey and action plan is to make core services safer for vulnerable children and young people. There is evidence this is improving each month. This gives an opportunity as a Phase 2 of closer links or merger with the BCP Safeguarding Adults Board and the local Community Safety Partnership. The strongest mitigation is to have an effective front-door service which can respond in an agile and flexible way to unforeseen demands and changes in the pattern of safeguarding demands. The MASH (Multi-Agency Safeguarding Hub) continues to develop its systems for handling incoming referrals through the Assessment Service, into which it passes a significant percentage of referrals, and is struggling to maintain an adequate level of service due to a rise in demand for assessments and considerable staffing difficulties. <p>Communities</p> <p>Key consideration for the Communities directorate in discharging the range of duties provided across a range of services, community safety and domestic abuse in particular.</p> <p>Key Mitigations</p> <p>Safeguarding processes in place, working in partnership across the council and other key agencies, particularly in regard to risks presented in high risk domestic abuse cases. All relevant staff are trained, and referral processes are clear. At a Strategic level there is a strong link from the BCP Community Safety Partnership to Safeguarding Boards.</p>		<p>The relevant actions for this risk are set out in the Children's Services Action Plan. All of these 15 points are relevant to managing demand and adapting service delivery to post-pandemic referrals. Progress on delivery of the action is reported to a robustly functioning Improvement Board which has mandated senior leaders to take further actions as and when necessary to deliver improvements. The pace of change is fast already so cannot easily be quickened.</p> <p>Domestic Abuse Strategy for BCP now adopted and delivery plan in train. Multi agency risk management processes working well.</p> <p>Additional funding allocated to the council by the Ministry of Housing, Communities & Local Government to reflect the new duties contained within the Domestic Abuse Act 2021.</p> <p>Multi Agency Strategic Domestic Abuse Strategy Group well established to monitor delivery.</p>		




RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR4	Failure to provide adequate IT and cyber security		<p>Risk Owner: Corporate Director of Resources</p> <p>Risk Information</p> <p>This risk continues as a corporate risk and includes the additional considerations of the pandemic including the increase in remote working. It is also reflective of the increasing dependency on the IT infrastructure. The changes to the external environment that have evolved over the last 12 months with publicly reported increases in phishing and an increase in the sophistication of cyber-attacks are relevant to the scoring of this risk.</p> <p>Key Mitigations / Actions</p> <ul style="list-style-type: none"> • Each legacy council has a strong infrastructure and work continues to migrate to a single BCP core infrastructure • Physical premises security • Physical data security • Encryption • Regular scanning • Multi layered security approach • Active security incident response team • Constant review of latest threats and their vectors • Regular patching and upgrades • Dedicated cyber security officer • Monthly review of key metrics • Continue to run 'internal' Phishing tests and use the data to target training and awareness for staff. 		As we fundamentally redesign and transition the enterprise architecture in partnership with our Strategic Implementation Partner, we will ensure that the infrastructure is built to leading edge security standards.		



RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR9	Failure to maintain a safe and balanced budget for the delivery of services		<p>Risk Owner: Director of Finance</p> <p>Risk Information</p> <p>This risk includes a reflection of the ongoing uncertainty being caused by the COVID pandemic and the fact that in November 2020 the Government issued a one year, rather than a multi-year, spending review.</p> <p>Consideration is also given to the fact that the government have passed legislation to avoid the council needing to take strategic financial management action to mitigate the accumulated deficit on the High Needs Budget for the three financial years to 31 March 2023.</p> <p>Since this committee last considered this risk Slough Borough Council have issued a s114 notice and at least seven further authorities are the subject of independent financial health checks commissioned by the Ministry of Housing, Communities & Local Government.</p> <p>Specific risk information</p> <p>Ongoing analysis has established the following key elements to this risk:</p> <ul style="list-style-type: none"> 2021/22 in-year financial performance. The first quarterly budget monitoring report will be considered by Cabinet on the 29 September 2021. This is likely to reflect on: <ul style="list-style-type: none"> the impact of the 1.5% pay award for 2021/22 offered by Local Government Employers but rejected by the trade unions. As the equivalent of 1% was provided for as a contingency within the revenue budget the extra 0.5% will create a pressure of circa £0.9m. progress towards delivering the £7.5m budgeted savings target from the transformation programme for 2021/22. any in-year service pressures with the local government sector anticipating further pressure in Children's and Adult Social Care services due to the legacy impact of the pandemic and other service pressures. Pay and reward project: The council continues to develop proposals for establishing harmonised terms and conditions related to pay. The council has from day one assumed such proposals will be implemented within a cost-neutral financial envelope. Consideration is ongoing as to the consequences of continuing to adopt this assumption and the possible scale of any variation caused by regional and national salary inflation. High Needs Deficit: As per the Medium Term Financial Plan (MTFP) Update report to Cabinet on the 23 June 2021 the council is currently forecasting that the accumulated deficit on the Dedicated Schools Grant due to the impact of the ongoing pressures in the high needs budget will increase to £7.8m as at the 31 March 2021, £16.1m as at 31 March 2022, and £27.4m as at the 31 March 2023. The 2022/23 budget will need to carefully consider the fact that the current forecast deficit at 31 March 2023 will be greater than the £16.1m the council is estimated to hold as unearmarked reserves at that point in time. This is especially relevant as the legislation which currently avoids the council having to take action is due to be lifted the following day (1 April 2023). 		<p>Establishment of a new High Needs Deficit Recovery Board from April 2021 onward chaired by the Chief Executive</p> <p>Monthly follow up meetings to the Budget Overview Meeting of Key Financial Indicators of any salient issues with Corporate Director and or Portfolio Holder</p> <p>Extension of the MTFP time horizon to 5 years (from 3)</p> <p>Budget Café in November 2021</p> <p>February 2022 Cabinet and Council 2022/23 Budget Report and MTFP Update Report</p>		




RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR9	Failure to maintain a safe and balanced budget for the delivery of services - Continued		<p>Key Mitigations:</p> <ul style="list-style-type: none"> • MTFP approach including forward planning based on forecasts both of central government funding and service demand especially those of a statutory nature • MTFP update reports to Cabinet scheduled in June, October and December 2021 • Quarterly 2021/22 budget monitoring reports to Cabinet scheduled in June, September, December 2021 and February 2022 • Overview and Scrutiny Board in place to scrutinise the quarterly budget monitoring and MTFP update reports presented in-year • Monthly Budget Overview Meeting of Key Financial Indicators by Leader, Chief Executive and Chief Financial Officer • Oversight from the External Audit • BCP Council approved Reserves Strategy, Capital Strategy and Treasury Management Strategy 				




RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR 11	Ability of the council to function and operate efficiently in the delivery of single services across the area of BCP		<p>Risk Owner: Chief Executive</p> <p>Risk Information</p> <p>This risk was clarified during the last quarter with the title being reviewed and changed to ensure it captured the relevant detail. This risk recognises the complex reorganisation that created the new council from 1 April 2019, the need to provide harmonised services across the entire area and the ambitious transformation programme taking place with the on-going challenges of a pandemic.</p> <p>Key Mitigations / Actions</p> <ul style="list-style-type: none"> • Training and development programme • Regular liaison between Cabinet and Corporate Management Board • Mentoring • Bedding down period for service re-structures • Members toolkits • Six working groups of officers and members put in place to develop high-level delivery plans for the Corporate Strategy • A forward plan for harmonising the council's major service strategy and policy documents which will inform the Cabinet's forward plan has been agreed • Agreement of Corporate Strategy, People Strategy, Equalities Policy and Action plan leading to delivery plan will give some certainty • The Overview and Scrutiny function has an associated skills and knowledge development programme in place to support members and ensure effective implementation of the function, which was developed in consultation with the Centre for Public Scrutiny (CfPS) as the body of excellence for scrutiny support to councils. This will include a review of the function planned for July 2020, supported by the CfPS, to provide opportunity for reflection on the first year of operation. • Extensive engagement with the Local Government Association to provide support for members as required, including making arrangements for mentoring and coaching. • Regular internal communication 		<ul style="list-style-type: none"> • Cabinet and CMB away day planned to agree cabinet priorities. • Annual refresh of corporate strategy to include COVID response and future plans. • Local Government Association peer challenge planned for Nov 2021 • Continue to harmonise legacy policy documents. 		

RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR 12	Failure to achieve appropriate outcomes and quality of service for young people		<p>Risk Owner: Interim Director of Children's Services</p> <p>Risk Information</p> <p>A 15-point 6-month action plan is in place and being driven forward by the interim Leadership Team in Children's Services. The Department for Education (DfE) led Improvement Board and Cabinet members are monitoring progress and keeping accountable officers on task.</p> <p>The only variation to this risk is the increasing likelihood that demands on children's services will increase more than predicted, especially in referrals for domestic abuse and mental health concerns, where a spike is expected over the coming months. An example of this is the number of younger children behaving in distressed and challenging ways in schools (Years 1-6 whereas the pattern before the pandemic was much more Years 5 and 6). This is one of many examples. The problems caused by the pandemic are if anything deeper than predicted, especially in the number of children who have become more disengaged with the mainstream having been out of it for so long.</p> <p>Whilst the risk is intrinsic, it is reducing, the evidence being continuous audits which show improvements in casework. It is important to remember that even good and outstanding children's services still carry these risks, but they would only normally appear on a risk register if the service is at risk of failing or has failed in some crucial respects. BCP was at risk of this last year, the risk is less now but the risks should remain on the corporate risk register until a full Ofsted inspection of BCP Council's Children's Services confirms the safety and quality of services is at a 'good enough' level.</p> <p>Key Mitigations / Actions</p> <ul style="list-style-type: none"> Improved attendance at critical conferences and reviews through online meetings cutting out travel time Lower foster care breakdown rates with their carers at home more (data from across 7 countries) All children and families needing home visits have been visited after risk assessments have been carried out Recovery plans are in place and local government has a good track record of multi-agency working during recovery The Multi-Agency Safeguarding Hub continues to function well, but the assessment service is under severe pressure as a result of the increase in referrals and special attention now needs to be given (again) to stabilise this service. <p>Consideration has been given to whether this risk should be merged into CR2 above but keeping it as a separate and specific risk will ensure that appropriate resources are directed to solve the critical issues and improve services to support children and young people across the BCP area. Receiving a satisfactory assessment from Ofsted will remove the need to monitor this risk separately, but will not, alone, ensure that the council delivers effective safeguarding arrangements for children & adults, which will continue to be covered by CR2.</p>		<p>Further Actions</p> <ul style="list-style-type: none"> The 15-point 6-month action plan will be consolidated into a 2021/24 Children and Young People's Plan from April 2021 (a Local Government Reorganisation requirement) Other linked action plans are being driven forward in the same way e.g., the SEND (Special Educational Needs and Disabilities) action plan which also has an Improvement Board Intensive work to achieve stronger staff engagement and support A business case for additional funding from DfE is being submitted against their programme to prevent local authority children's services falling over Development of the strongest in-house managers by Hampshire County Council (rated outstanding for children's services), so that the in-house leaders of the future are ready to take up the reins when the interim leaders move on <p>There is no target date for this risk as it is considered a continuous intrinsic risk.</p>		

RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR 13	Failure to deliver the transformation programme		<p>Risk Owner: Corporate Director of Resources</p> <p>Risk Information</p> <p>The future efficiency and effectiveness of the council, our reputation as a service provider and our ability to continue to deliver a balanced financial position within the Medium Term Financial Plan horizon are fundamentally linked to the delivery of our transformation objectives. Delivering a programme with the complexity, scale and pace as set out by the council will be challenging on a number of levels including: identifying the correct partner(s) to support the delivery of the programme; effectively engaging the organisation in the vision of the future; committing to the achievement of challenging benefits realisation targets; ensuring the appropriate level of funding to support the resources required to deliver the programme.</p> <p>Key Mitigations</p> <ul style="list-style-type: none"> • Strong design and engagement with key stakeholders to the business case • Identification of funding sources and the development of a Financial Strategy to support the programme • Strong identification and specification of our requirements while reflecting the extremely dynamic technology/data environment within which we will need to deliver the programme • Robust and effective procurement process to identify and engage the right partner(s) to support the council in the delivery of the programme • Effective programme management and performance monitoring of the delivery. 		To be developed during mobilisation of the full programme following appointment of the Strategic Implementation Partner		

RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR 14	Continuity of Public Health arrangements and evolution of outbreak management plan		<p>Risk Owner: Chief Executive</p> <p>Risk Information</p> <p>This risk was considered by the Chief Executive following its addition to the risk register. Due to the nature of the risk the mitigations and actions move at pace and are influenced by both the national and local position. They will continue to be reviewed and updated as part of the on-going response to the pandemic.</p> <p>Key mitigations</p> <ul style="list-style-type: none"> Local Outbreak Management Plan in place and effective since July 2020, with multiagency health protection board to oversee response to outbreaks in high risk settings, surveillance, testing, contact tracing and communications and engagement. Public health day response team in place plus out of hours and weekend on-call rota established. Contact tracing now led by BCP Council meaning more rapid follow up of local cases and contacts. Expansion of testing has been significant, both symptomatic PCR testing, and community asymptomatic testing now available to all adults. 		<p>Contain funding used to ensure robust and resilient public health response that will continue under the refresh of the local outbreak management plan, published March 2021. We will expect to continue to provide health protection response to COVID19 on behalf of the local system for some time to come.</p> <p>Vaccination programme locally has been effective in reducing infection rates due to high take up of first and second doses. Now need to assess coverage of second doses by national target of end July 2021, including effective local catch up campaigns.</p> <p>Modelling does predict increase in infection rates in late summer as roadmap progresses. Surveillance and response will remain in place to mitigate as much as possible.</p>		

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CR 15	Effective people strategy		<p>Risk Owner: Chief Executive</p> <p>Risk Information</p> <p>The council's People Strategy was developed and launched during 2019/2020 - immediately prior to the impact of the COVID-19 pandemic. A significant amount of the anticipated work within the strategy has been impacted by the need to refocus on the support and wellbeing of the workforce during the response to the pandemic. As we hopefully emerge from the full response phase of the pandemic, focus is now shifting to rechecking the key elements of the Strategy against the changed workforce/workplace and the wider transformation programme objectives.</p>		<ul style="list-style-type: none">Strong analysis and reaction to the key themes emerging from the Employee Engagement SurveyClear correlation between the key themes of the People Strategy and the design and implementation of the transformation programmedevelop stronger communications capabilities within our management structures		

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CR 17	Risk to Reputation of Place & Council if summer arrangements are not managed		<p>Risk Owner: Chief Executive</p> <p>Risk Information</p> <p>Following the easing of the lockdown last year and the unprecedented numbers of visitors along with residents to our parks, open spaces and beaches the council faced significant strain on its public services and a major incident was declared through the Local Resilience Forum (LRF).</p> <p>The risk for the council in spring and summer in 2021 is that the country is again facing the easing of a lockdown within a context of international travel bans. Given this context it is likely that the BCP area will face at least as many visitors as last year during warm weather, and it is important for the reputation of the council that our services are stepped up to manage the impact of the visitor numbers and ease potential tensions with residents, to generate a positive and welcoming experience and establish BCP as a world-class destination, and to minimise negative publicity. There are also related risks that the council's programme of events and hospitality offer provided through Festival Coast Live, and supported events, will add to the complexity of what is being managed and the specific risks associated with this need to also be managed appropriately.</p> <p>Key Risk Mitigations</p> <ul style="list-style-type: none"> Corporate Incident Management Team considered initial decision to provide enhanced response and this funding was approved. Following the Road Map publication and the increasing risk to overseas travel there was a further review of the council's summer response and a detailed response plan developed with an additional commitment of £2.4 million funding being allocated to enhance resources, taking the total additional funding package to £3.4m. LRF arrangements have established Operational Groups reporting to the tactical Co-ordinating Group. Establishment of the Multi-Agency Command Centre with clear multi-agency plan and associated resource. Weekly forward-looking meetings within BCP senior leadership are in place. Established Safety Advisory Group and Licensing Committee to take an overview of relevant events and activities. Government guidance is awaited on major events and will be implemented once available. 		<ul style="list-style-type: none"> Implementation of the investment outlined in the Summer response plan including recruitment of staff Ongoing analysis and oversight through the Multi-Agency command centre and planning. Weekly tactical summer response review to assess risk and agree further actions required. Overview and Scrutiny will be considering the council's summer response at their May meeting where further adjustment can be made to the response. Ensure that Public Health is included in Safety Advisory Group consideration of major events. 		15/09/2021

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AUDIT AND GOVERNANCE COMMITTEE



Report subject	Annual Review of Register of Declarations of Interests, Gifts and Hospitality by Officers Report 2020/21
Meeting date	29 July 2021
Status	Public Report
Executive summary	<p>An annual review and update of the Council's Declaration of Interests, Gifts & Hospitality Policy took place in March 2021.</p> <p>A recent Internal Audit review has been carried out on arrangements in place to ensure adequate staff awareness of the Declaration of Interests, Gifts & Hospitality Policy and to confirm declarations were being made as necessary. The review resulted in a 'Reasonable' assurance audit opinion and recommendations made to improve arrangements are being implemented.</p> <p>There have been no internal or external identified instances, whistleblowing or reports by any other means where an undeclared interest has led to any disciplinary action or led to reputational damage.</p>
Recommendations	<p>It is RECOMMENDED that:</p> <p>Audit & Governance Committee note the annual review of Register of Declarations of Outside Interests and Receipts of Gifts & Hospitality by Officers (2020/21).</p>
Reason for recommendations	To provide Audit & Governance Committee with assurance on the adequacy and robustness of the Council's arrangements for the declaration of interests, gifts and hospitality by officers.
Portfolio Holder(s):	Cllr Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
Report Authors	<p>Nigel Stannard Head of Audit & Management Assurance ✉ nigel.stannard@bcpcouncil.gov.uk ☎ 01202 128784</p>
Wards	Council-wide
Classification	For Information

Background

1. A new BCP Council Declaration of Interests, Gifts and Hospitality Policy (for officers) was introduced on the 1 April 2020. Officers are responsible for maintaining their declarations in as near to real-time as is practical, in other words officers will not be waiting to make declarations on an annual basis.
2. The purpose of the Policy is to protect the Council and employees against conflicts of interest and allegations of impropriety. The public must be confident that decisions made by employees of whatever nature are made in the interests of BCP Council and the community it serves and are not influenced inappropriately by the interests of individual employees, their relatives or friends.
3. This report aims to provide Audit & Governance Committee with assurance on the adequacy and robustness of the Council's arrangements for the declaration of interests, gifts and hospitality by officers.

Annual Review of BCP Declaration of Interests, Gifts and Hospitality Policy

4. An annual review of the Council's Declaration of Interests, Gifts & Hospitality Policy took place in March 2021 and amendments were endorsed by the Audit & Governance Committee (11 March 2021) prior to approval by the Corporate Management Board.
5. An additional requirement was introduced for employees, below Tier 4 and who use their own discretion to make eligibility decisions, award decisions or grant permissions, to make a declaration even if the declaration required is a 'Nil Declaration' along with some other minor amendments.
6. A corporate communication on the updated Declaration of Interests, Gifts and Hospitality Policy (along with other Finance Policies) was issued to all staff (including senior managers) in April 2021.
7. The corporate requirement for all staff to complete mandatory training during the year (in particular the Fraud Awareness module) will further improve Policy awareness.

Internal Audit Report on Declaration of Interests, Gifts and Hospitality

8. A recent Internal Audit review has been carried out on arrangements in place to ensure adequate staff awareness of the Declaration of Interests, Gifts & Hospitality Policy and declarations were being made as necessary.
9. The audit review resulted in a 'Reasonable' assurance opinion and 5 recommendations being made (4 medium priority and 1 low priority) to address the following issues:

R1 (Medium Priority)

Not all staff are fully aware of the Policy and the need to make declarations. The number of declaration forms within most service directorates appeared lower than would have been anticipated (in particular for personal relationships)

It is recommended that all staff are reminded of the need to be fully aware of the requirements of the Policy (in particular the need to declare personal relationships) and encourage use of the Interests, Gifts and Hospitality Flow Charts to easily see if any declarations need to be made.

R2 (Medium Priority)

The Policy does not currently require hospitality given to be recorded on the Declaration Forms

It is recommended that the Policy be amended to clarify the requirement that hospitality given (above a certain £ threshold) must also be recorded on the Declaration Forms.

R3 (Medium Priority)

Several Senior Officers had not promptly submitted Form 2 Declarations to the Monitoring Officer as required

It is recommended that the New Employee / Manager Induction & Probation Packs be amended to include:

- **For officers below tier 4 - the potential need to complete a Declaration Form 1;**
- **For tier 4 and above officers (senior officers) – the requirement to complete a Declaration Form 2, including a nil return if the officer determines they have nothing to declare;**

under the Council's Declaration of Interests, Gifts & Hospitality Policy.

Furthermore, at their First Review stage the Packs should also require Officers to confirm that they have completed a Form 1, or 2 Declaration as required.

R4 (Medium Priority)

Managers are not always recording their reason(s) for approving declarations and are not always recording any agreed mitigating actions required

It is recommended that:

- **Managers are reminded of the correct process to follow in the event of an employee making a declaration which includes "Assessing any risk to the Council and the employee and to work with the employee to agree any mitigation and document this on the employee's declaration form" and "Maintain discussion with the employee at one to one meetings to ensure on-going review of the mitigation actions or strategy." as per line manager responsibilities in the Policy.**
- **In addition, the top tick box wording used by approving managers in Part B of the Declaration Forms considered to be amended to include a requirement for reasons to be included on the Forms as to why the Declaration is acceptable under the Policy.**

R5 (Low priority)

Policy does not make it clear if Officers subject to local arrangements also have to comply with the Corporate Policy

It is recommended that the Declaration of Interests, Gifts & Hospitality Policy be amended to cover Officers subject to local arrangements for managing potential conflicts of interests.

10. Recommendations R1 and R4 have already been addressed with the Head of Audit & Management Assurance issuing an email to Service Directors to remind them of their responsibility to promote policy awareness and ensure all declarations are adequately completed and managed in line with the Policy.
11. Recommendations R2 and R5 will be addressed with the annual Policy evolution (which will be presented back to this committee in March 2022).
12. For Recommendation R3, action is planned to be taken by the Learning & Development Team to ensure Induction & Probation Packs are amended to include the requirement for officers to complete declaration forms (as necessary per the Policy including 'nil returns' for Tier 4 and above officers). This should ensure the prompt completion and submission of declaration forms.

13. The Policy requires all senior officers, Tier 4 officers (and above), to complete a Form 2 to proactively declare any potential interest/gift/hospitality. If senior officers have nothing to declare they are required to submit a 'nil' return. In both cases returns should be submitted to the Monitoring Officer.
14. Through work carried out as part of the Internal Audit review (which did require chasing of some forms to be completed by new senior officers) it was established that 93 out of 94 (99%) senior officers had completed and returned these forms to the Monitoring Officer. The single outstanding form related to an officer on sick leave.
15. With this high level of completed forms established during the audit review and the proposed introduction of R3 above (new employee / manager induction & probation packs be amended to include the requirement for Tier 4 and above officers to complete a Declaration Form 2) assurance can be provided that senior officers are complying with the requirements of the Policy and should do so in the future.

Declaration of Interests, Gifts and Hospitality Policy Enforcement and Sanctions

16. Employees must comply with the requirements of the Policy and any failure to do so is a disciplinary matter, and disciplinary action may be taken, regardless of whether the actions amount to a criminal offence.
17. During the 2020/21 financial year there have been no internal or external identified instances, whistleblowing or reports by any other means where an undeclared interest has led to any disciplinary action or led to reputational damage.

Options Appraisal

18. An options appraisal is not applicable for this report.

Summary of Financial Implications

19. There are no direct financial implications from this report.

Summary of Legal Implications

20. The Bribery Act 2010, makes it an offence for an employee to give advantage to someone in return for favours in relation to the Council's business.
21. Section 117 of the Local Government Act 1972 requires that employees notify the authority in writing of any direct or indirect financial interests which they have in any Council contracts, or proposed contracts, of which they become aware. Breach of Section 117 is a criminal offence subject to a fine.

Summary of Human Resource Implications

22. There are no direct environmental implications from this report.

Summary of Environmental Impact

23. There are no direct environmental implications from this report.

Summary of Public Health Implications

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

Summary of Equality Implications

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

Summary of Risk Assessment

26. There are no direct risk management implications from this report.

Background Papers

None

Appendices

None

BCP Declaration of Interests, Gifts & Hospitality (for officers)

Internal access

<https://bcpcouncil.sharepoint.com/sites/Finance/Shared Documents/Forms/AllItems.aspx?id=%2Fsites%2FFinance%2FShared Documents%2FInterests Gifts and Hospitality Policy%2Epdf&parent=%2Fsites%2FFinance%2FShared Documents&p=true&originalPath=aHR0cHM6Ly9iY3Bjb3VuY2IsLnNoYXJlcG9pbmQuY29tLzpiOi9zL0ZpbmFuY2UvRWZyaVd0R3F0WFJManJ3TnNmal9oTVVCUDVOOEs5MmpLbWMxWUhwMDZINk9mdz9ydGltZT1hbnAzS0VzMjJVZw>

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AUDIT AND GOVERNANCE COMMITTEE



Report subject	Use of Regulation of Investigatory Powers Act (RIPA) annual report 2020/21
Meeting date	29 July 2021
Status	Public Report
Executive summary	<p>A new BCP RIPA Policy was introduced in April 2021.</p> <p>RIPA training has been provided to assist with compliance with legislation and the BCP RIPA Policy.</p> <p>BCP Council is in the process of drafting an Investigatory Powers Act 2016 (IPA) Policy for communications data acquisition and this will be presented to Audit & Governance Committee for approval in due course.</p> <p>An inspection by the Investigatory Powers Commissioner's Office (IPCO) on the use of investigatory powers has recently been carried out and the outcome will be brought back to this committee.</p> <p>The Council has not made use of RIPA powers during the 2020/21 financial year.</p>
Recommendations	<p>It is RECOMMENDED that:</p> <p>Audit & Governance Committee note that the Council has not made use of powers under the Regulation of Investigatory Powers Act during the 2020/21 financial year.</p>
Reason for recommendations	To ensure transparency in respect of the Council's use of its powers under the Regulation of Investigatory Powers Act.
Portfolio Holder(s):	Cllr Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
Report Authors	<p>Nigel Stannard Head of Audit & Management Assurance ☎01202 128784 ✉ nigel.stannard@bcpcouncil.gov.uk</p> <p>Susan Zeiss Monitoring Officer, Law & Governance ☎01202 817856 ✉ susan.zeiss@bcpcouncil.gov.uk</p>

Wards	Council-wide
Classification	For Information

Background

1. The Regulation of Investigatory Powers Act (RIPA) was enacted in 2000 to regulate the manner in which certain public bodies may conduct surveillance and access a person's electronic communications and to ensure that the relevant investigatory powers are used in accordance with human rights. The provisions of the Act include:
 - the interception of communications;
 - the acquisition of communications data (e.g. billing data);
 - intrusive surveillance (on residential premises/in private vehicles);
 - covert surveillance in the course of specific operations;
 - the use of covert human intelligence sources (agents, informants, undercover officers); and
 - access to encrypted data.
2. There are various codes of practice, updated periodically, which broadly cover the specific bullet points above. These help public authorities assess and understand whether, and in what circumstances, it is appropriate to use covert techniques. The codes also provide guidance on what procedures need to be followed in each case and identifies **as a matter of best practice that elected members of an authority should review the authority's use of RIPA at least once a year**. The purpose of this annual report is to set out the level and nature of BCP Council's use of covert surveillance under RIPA.

BCP RIPA Policy

3. A new BCP RIPA Policy was approved by the Audit & Governance Committee on 22 April 2021 and communicated to officers during April and May at various officer meetings and via corporate communications.
4. The BCP RIPA Policy clearly explains the type of surveillance the Council can and cannot undertake and also explains those limited circumstances where covert surveillance, requiring external authorisation, may be appropriate.
5. The Policy ensures compliance with the regulatory framework for the use of covert investigatory techniques by BCP Council as set out in the Regulation of Investigatory Powers Act 2000 (RIPA) and RIPA (Directed Surveillance and Covert Human Intelligence Sources CHIS) Order 2010 (and as amended 2012).
6. RIPA training was provided to a number of officers on 16 June 2021 to assist with compliance with legislation and our Policy including understanding when RIPA authorisation is required. A recording of the training is available.
7. The Head of Audit & Management Assurance is the RIPA Administrator and responsible for ensuring a comprehensive single corporate record exists to enable full annual reporting to the Information Commissioner's Office and the BCP Council Audit & Governance Committee. The 'RIPA Central Record of Authorisations' is attached at Appendix A for information (blank version).

8. BCP Council is in the process of drafting an Investigatory Powers Act 2016 (IPA) Policy for communications data acquisition and this will be presented to Audit & Governance Committee for approval in due course.

Investigatory Powers Commissioner's Office (IPCO) Inspection

9. The Investigatory Powers Commissioner's Office (IPCO) conducts audits and inspections of the use of investigatory powers to ensure that public bodies that are authorised to use investigatory powers are doing so lawfully and in line with best practice.
10. A telephone-based inspection of BCP Council has recently been carried out. The outcome from the inspection was that the Investigatory Powers Commissioner, Sir Brian Leveson wrote to the Chief Executive on 13 July 2021 stating that the work done by officers represented "good progress and places BCP Council in a strong position, should the opportunity for covert surveillance present itself". The letter also contained the following helpful observations from the Inspector as to how we could further improve policies and procedures, which officers will implement during the coming months.
 - The RIPA Policy, while a comprehensive document, could be more 'user friendly'; the presence of a number of flow charts is a useful addition.
 - The Policy should make it clear that the authorisation period for a juvenile CHIS differs from that for an adult CHIS.
 - The Policy could helpfully, and arguably should, cross reference your data management policy regarding compliance with the required safeguarding measures for the product of surveillance.
 - The BCP RIPA Central Record could be expanded to identify the presence of surveillance product and indicate its current review status. Please note this observation has already been implemented and changes have been incorporated in the BCP RIPA Central Record as presented at Appendix A to this report.

Use of RIPA/IPA by the Council

11. The BCP RIPA Policy states that overall responsibility for the use of RIPA lies with the Senior Responsible Officer (SRO) who is the Director of Law & Governance (& Monitoring Officer). The deputy SRO is the Chief Executive.
12. The Regulatory Services Manager, Director of Communities, Chief Executive and Corporate Directors are the Council's Authorising Officers in respect of RIPA applications. The Head of Audit & Management Assurance is the RIPA Administrator and is responsible for maintaining a central register of authorisations applied for.
13. The use of covert surveillance techniques can assist councils in delivering objectives in areas such as crime, anti-social behaviour and licensing. As a result of complying with RIPA, the Council only invokes these powers as a last resort where overt surveillance is not possible.
14. During the 2020/21 financial year, the Council has **not** made use of powers under RIPA and the Council's RIPA Authorising Officers have not approved the use of covert surveillance techniques in any cases.
15. In addition, BCP Council has **not** used IPA provisions since it has come into being.

Options Appraisal

16. An options appraisal is not applicable for this report.

Summary of financial implications

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

Summary of legal implications

18. The Council must follow Regulation of Investigatory Powers Act (RIPA) requirements should it wish to enact covert surveillance.

Summary of human resources implications

19. There are no direct human resource implications from this report.

Summary of sustainability impact

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

Summary of public health implications

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

Summary of equality implications

22. There are no direct equalities implications from this report.

Summary of risk assessment

23. There are no direct risk implications from this report.

Background papers

None

Appendices

Appendix A - RIPA Central Record of Authorisations (template)



RIPA CENTRAL RECORD OF AUTHORISATIONS (to be completed by RIPA Administrator\Deputy Only)

Unique reference number (URN) of the investigation	Name of Officer Completing Record of Authorisation	Type of authorisation or notice	Date provisional authorisation or notice was given	Name and rank/grade of the authorising officer	Is authorising officer directly involved in the investigation?	Date judicial approval was received or refused (add link to supporting application & authorisation decision)	Title of investigation or operation, including a brief description and names of subjects, if known	Whether the investigation or operation is likely to result in obtaining confidential or privileged information per code of practice	What surveillance product will result e.g. still imagery, video imagery (with or without sound), officer observations which will then be written into a report	If the authorisation or notice is renewed, when it was renewed and who authorised the renewal, including the name and rank/grade of the authorising officer and the date of judicial approval	Review Date(s)	Date the authorisation or notice was cancelled	Officer cancelling the authorisation or notice	Review of the surveillance product status (note the surveillance product should be destroyed as soon as no longer needed for investigatory purposes)	Other Comments
BCP01															
BCP02															
BCP03															
BCP04															
BCP05															
BCP06															
BCP07															
BCP08															
BCP09															
BCP10															

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AUDIT AND GOVERNANCE COMMITTEE

Report subject	Chief Internal Auditor's (CIA's) Annual Opinion Report 2020/21
Meeting date	29 July 2021
Status	Public Report
Executive summary	<p>It is the opinion of the Chief Internal Auditor that during the 2020/21 financial year:</p> <ul style="list-style-type: none"> • arrangements were in place to ensure an adequate and effective framework of governance, risk management and control (internal control environment) and that where weaknesses were identified there was an appropriate action plan in place to address them; • the systems and internal control arrangements were effective and that agreed policies and regulations were complied with; • adequate arrangements were in place to deter and detect fraud; • there was an appropriate and effective risk management framework; • managers were aware of the importance of maintaining internal controls and accepted recommendations made by Internal Audit to improve controls; • the Council's Internal Audit service was effective and compliant with all regulations and standards as required of a professional internal audit service; and that • the arrangements, in respect of the Chief Internal Auditor, were consistent with all of the five principles set out in the CIPFA publication "The Role of the Head of Internal Audit in Public Sector Organisations". • Whilst the COVID19 pandemic had a significant impact on the work of Internal Audit a revised Audit Plan was approved by the Audit & Governance Committee in July 2020 which has been delivered and no 'limitation of scope' opinion needs to be issued.
Recommendations	<p>It is RECOMMENDED that:</p> <p>the Audit & Governance Committee note the Chief Internal Auditor's Annual Report and Opinion on the overall adequacy of the internal control environment for BCP Council.</p>
Reason for recommendations	The Chief Internal Auditor's Annual Report and Opinion for BCP Council provides assurance on the effectiveness of the Council's control environment as required by the Public Sector Internal Audit Standards.
Portfolio Holder(s):	Drew Mellor, Leader of the Council

Corporate Director	Graham Farrant, Chief Executive
Report Authors	Nigel Stannard Head of Audit & Management Assurance ☎01202 128784 ✉ nigel.stannard@bcpcouncil.gov.uk
Wards	Council-wide
Classification	For Information

Background

1. The Chief Internal Auditor's Annual Report and Opinion for BCP Council was produced in compliance with the Public Sector Internal Audit Standards 2017 (PSIAS), which requires the Head of Audit & Management Assurance, in his role as Chief Internal Auditor, to report annually on:
 - the adequacy and effectiveness of the internal control environment; and on
 - conformance by the Internal Audit Section to the PSIAS.
2. The Audit & Governance Committee must consider the Councils' Chief Internal Auditor's Annual Report and Opinion before its consideration of the Councils' Annual Governance Statement.
3. It should be noted that the title 'Chief Internal Auditor' is interchangeable with the terms 'Head of Internal Audit', 'Chief Audit Executive' and 'Head of Audit & Management Assurance' used in this report or in other relevant publications, guidance or standards.

The Chief Internal Auditor's Consideration & Opinion Summary

4. The Chief Internal Auditor's Annual Report & Opinion 2020/21 for BCP Council is provided at Appendix A.
5. In summary it is the opinion of the Chief Internal Auditor for BCP Council that:
 - arrangements were in place to ensure an adequate and effective framework of governance, risk management and control (internal control environment) and that where weaknesses were identified there was an appropriate action plan in place to address them;
 - the systems and internal control arrangements were effective and that agreed policies and regulations were complied with;
 - adequate arrangements were in place to deter and detect fraud;
 - there was an appropriate and effective risk management framework;
 - managers were aware of the importance of maintaining internal controls and accepted recommendations made by Internal Audit to improve controls;
 - the Council's Internal Audit service was effective and compliant with all regulations and standards as required of a professional internal audit service; and that
 - the arrangements at the Council in respect of the Chief Internal Auditor were consistent with all of the five principles set out in the CIPFA publication "The Role of the Head of Internal Audit in Public Sector Organisations".

6. As was the case for most Council services the COVID 19 pandemic had a significant impact on the work of Internal Audit and the Audit Plan. During April and part of May 2020 the whole Internal Audit Team was re-purposed to distribute COVID 19 Grants to local businesses in line with Government allocations. Internal Audit's main role was to confirm eligibility and bank details to prevent fraud and error. As a result of this work an amended Audit Plan was agreed with the Audit & Governance Committee on 30 July 2020.
7. CIPFA 'Guidance to Internal Auditors and the Leadership Team and Audit Committee of Local Government Bodies' reflected on the impact of COVID 19 and the ability to undertake sufficient audit work to gain assurance during 2020/21 and to fulfil the PSIAS requirement for the Head of Internal Audit to issue an annual opinion on the control environment.
8. The guidance further stated that where sufficient assurance cannot be obtained then the Head of Internal Audit may need to consider issuing a 'limitation of scope' opinion. In this instance the Head of Internal Audit would need to inform the Audit & Governance committee of the extent of the limitation, the reasons for the limitation and any remedial actions required. Any limitations of scope would also need to be reported in the Annual Governance Statement.
9. Based on the high percentage of the revised 2020/21 audit plan completion, the targeting of high risks, streamlining of audit reports and utilising new ways of working the Chief Internal Auditor does not consider a 'limitation of scope' opinion needs to be issued.

Options Appraisal

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

Summary of financial implications

11. The total actual net cost, for the 2020/21 financial year, of the Internal Audit section was £695,147; compared against the budget of £693,800, this resulted in a small net overspend of £1,347. These numbers were inclusive of the Head of Audit & Management Assurance who managed several other teams and an Auditor who specialises in corporate fraud investigation, detection and prevention. This small net overspend was 'managed' across the Audit & Management Assurance Team by net underspends in other team budgets also managed by the Head of Audit & Management Assurance.

Summary of legal implications

12. The Public Sector Internal Audit Standards (2017), which encompass the mandatory elements of the Chartered Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), require that the Council's Chief Audit Executive provides an annual report and opinion on the adequacy and effectiveness of the internal control environment to those charged with governance of the organisation.

Summary of human resources implications

13. There were 13.42 full-time equivalent (FTE) Internal Audit staff members employed across the Council during 2020/21 inclusive of the Head of Audit & Management Assurance who manages several other teams and an Auditor who specialises in corporate fraud prevention, detection and investigation. It is the opinion of the Chief Internal Auditor that these resources were sufficient to provide Audit & Governance Committee and the Council's Corporate Management Board with the assurances outlined in this report.

Summary of sustainability impact

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

Summary of public health implications

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

Summary of equality implications

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

Summary of risk assessment

17. The risk implications are set out in the content of this report.

Background papers

None

Appendices

Appendix A – Chief Internal Auditor's Annual Report & Opinion 2020/21
Including Annexe 1, 2 and 3

Chief Internal Auditor's Annual Report & Opinion 2020/21

Introduction

- 1 This annual report is produced in compliance with the Public Sector Internal Audit Standards 2017 (PSIAS). The PSIAS encompasses the mandatory elements of the Chartered Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows: Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing. The PSIAS require the Chief Internal Auditor to report annually on the adequacy and effectiveness of the internal control environment; this report covers the period 1 April 2020 to 31 March 2021.
- 2 The scope of the Council's internal control environment that the Chief Internal Auditor is required to provide an opinion on is set out in the Council's Assurance Framework. The opinion given by the Chief Internal Auditor assists the Audit & Governance Committee in forming their view on the Annual Governance Statement.

Chief Internal Auditor's Audit Opinion 2020/21

- 3 The establishment of adequate and effective control systems is the responsibility of management. Internal Audit reviews were conducted using risk-based scoping, planning and sampling methodology; consequently, not every Council activity, transaction or project has been reviewed in-year by Internal Audit. It therefore follows that the Chief Internal Auditor is unable to provide absolute assurance that the internal control environment is operating adequately and effectively.
- 4 Based on the work undertaken by Internal Audit during 2020/21, it is the opinion of the Chief Internal Auditor that:
 - a arrangements were in place to ensure an adequate and effective framework of governance, risk management and control (internal control environment) and that where weaknesses were identified there was an appropriate action plan in place to address them;
 - b the systems and internal control arrangements were effective and agreed policies and regulations were complied with;
 - c adequate arrangements were in place to deter and detect fraud;
 - d there was an appropriate and effective risk management framework;
 - e managers were aware of the importance of maintaining internal controls and accepted recommendations made by Internal Audit to improve controls;
 - f the Council's Internal Audit service was effective and compliant with all regulations and standards as required of a professional internal audit service; and that
 - g the arrangements in respect of the Chief Internal Auditor were consistent with all of the five principles set out in the CIPFA publication "The Role of the Head of Internal Audit in Public Sector Organisations".
- 5 This opinion is based on the results of the Internal Audit work undertaken and reported upon during 2020/21. While internal control weaknesses and non-compliance with policies were identified during Internal Audit reviews, corrective actions have been agreed with

management. This willingness to respond to and correct issues raised during audit reviews is a key aspect in the Chief Internal Auditor giving an 'unqualified opinion'.

- 6 There was a significant impact on the commencement of the 2020/21 Internal Audit Plan due to requested corporate support on the fraud and error free distribution of COVID 19 Grants to local businesses during April and May 2020 in particular.
- 7 The Internal Audit Team spent 275 days in total on this unplanned activity and therefore amendment was required to the audit plan to ensure it was achievable. This was agreed with Audit & Governance Committee on 30 July 2020. It is worth noting that through careful audit plan restructuring only 135 days of 'core audit & assurance work' was reduced (1615 to 1480 days).
- 8 CIPFA issued guidance 'Guidance to Internal Auditors and the Leadership Team and Audit Committee of Local Government Bodies' in November 2020 regarding the impact of COVID 19 and the ability to undertake sufficient audit work to gain assurance during 2020/21 and to fulfil the PSIAS requirement for the Head of Internal Audit to issue an annual opinion on the control environment.
- 9 The guidance further stated that where sufficient assurance cannot be obtained then the Head of Internal Audit may need to issue a 'limitation of scope'. In this instance the Head of Internal Audit would need to inform the Audit & Governance committee of the extent of the limitation, the reasons for the limitation and any remedial actions required. Any limitations of scope would also need to be reported in the Annual Governance Statement.
- 10 It was reported to Audit & Governance Committee in January 2021 that a 'limitation of scope' was not expected to be issued. Based on further assurance work completed on the revised 2020/21 audit plan, the targeting of high risks, streamlining of audit reports and utilising new ways of working a 'limitation of scope' opinion has not needed to be issued.
- 11 It should be noted that this has also been made possible by Internal Audit staff having very low sickness absence levels (only 7 working days lost during the whole of 2020/21) and being flexible and pragmatic in working additional hours. This has resulted in some significant accumulated additional flexi and leave entitlement not taken during the year which has been carried forward to 2021/22. Careful management of this situation is and has taken place to minimise both the personal impact on individuals of not taking leave they are entitled to take and the medium term impact to the service of staff taking carried forward leave this year.

Basis of the Chief Internal Auditor's Opinion – A summary of work undertaken in 2020/21

Regularity Audit Work

- 12 The work of Internal Audit is designed to provide an annual opinion on the adequacy and effectiveness of the internal control environment. The work carried out in 2020/21 to provide the annual opinion was agreed by the Audit & Governance Committee.
- 13 The work has taken into account the strategies, objectives and risks of the Council as part of the audit planning process.
- 14 All Service directorates were audited during 2020/21 and a high percentage (87% - 72 out of 83 audits) of the audit plan was completed. This was slightly under the 90% target due to additional time spent on developing the audit process using new technology and also additional planning and organising the revised audit plan following the impact of COVID-19. While the overall opinion will always be a matter of professional judgement for the Chief Internal Auditor the amount and type of work and risk-based approach carried out on the audit plan was sufficient for this overall Chief Internal Auditor's opinion to be robustly evidenced. A list of all audits completed during 2020/21 is attached at Annexe 1.

- 15 Each audit report provides an overall level of assurance on the adequacy of the management arrangements to manage the identified risks within the area reviewed. The assurance level definitions are as follows:

Assurance Level Definitions	
Substantial	There is a sound control framework which is designed to achieve the service objectives, with key controls being consistently applied.
Reasonable	Whilst there is basically a sound control framework, there are some weaknesses which may put service objectives at risk.
Partial	There are weaknesses in the control framework which are putting service objectives at risk.
Minimal	The control framework is generally poor as such service objectives are at significant risk.

- 16 The list of 72 audits carried out during 2020/21 in Annexe 1 also details the assurance level given for each review. In summary, 5 'Substantial', 46 'Reasonable' and 10 'Partial' assurance level opinions were given during the year, additionally 7 consultancy reviews and 1 follow up review were carried out during 2020/21 (3 audits across 2020/21/22 are being finalised). There were no Minimal assurance opinions given for any of the audits. Whilst the 'Partial' opinion audits are reported during the 2020/21 quarterly reporting to Audit & Governance Committee it is good practice to summarise and state these again in this annual report, they were:

	Audit	High Priority recommendations to improve controls covering:
1	Adult Social Care – Crisis Payments	BCP crisis payments policy, authorisation of payments, application evidence, reconciliation of payments, documentation of screening checks, voucher records and management information.
2	Children's Services – High Needs Block	Supporting evidence for placement costs, status of actions on the High Needs Recovery Plan and links to the financial impact the actions will make on recovery of the financial deficit.
3	Children's Services – Tenancy Arrangements	Asset register accuracy, clarity over responsibility for managing assets, charging policy and rent reviews.
4	Communities – Health & Safety (including Fire Safety)	Nominated fire safety coordinators for all services, reporting fire safety issues, completeness of corporate fire risk assessment programme, clarity of local fire safety coordinators role, leased assets responsibilities, reporting to the Health & Safety & Fire Safety Board arrangements, and fire risk assessments actions.
5	Housing – Housing Rents	Former tenants debt management, authorisation of refunds and system access security.
6	Finance – Corporate Credit Cards	Process for ensuring transactions are reviewed and approved in a timely manner, necessity of some checks being carried out, and electronic receipting of supporting documentation.

	Audit	High Priority recommendations to improve controls covering:
7	Organisation Development – Policies & Training	HR\Payroll policies compliance role, mandatory training policy\completion\re-completion by staff, HR centralised record arrangements, I-Learn system notifications of new courses, and management reporting of mandatory training completion levels.
8	Growth & Infrastructure - Complaints, Compliments & FOI process	Performance management & reporting arrangements for both complaints and freedom of information requests.
9	Housing – Facilities Management	Corporate buildings H&S compliance policies, procedures and roles\responsibilities. Reporting to the Corporate Property Group. Annual maintenance plan. Roles and responsibilities for Service Directorate managed properties.
10	Corporate Safeguarding	Safeguarding training completed for all staff. Completeness of Disclosure & Barring Service (DBS) checks.

- 17 Regularity Audit work undertaken in 2020/21 covered a range of systems in different service areas and schools and included an audit of the Council's fundamental financial systems, including Main Accounting, Creditors, Debtors, Payroll, Housing Rents, Treasury Management, Social Services Financial Assessments, Council Tax and NDR systems as set out in Annexe 2.
- 18 The Council's Assurance Map set out at Annexe 3 has been populated to show Internal Audit coverage during 2020/21 over the significant risks facing the Council.
- 19 Recommendations were made throughout the year across all service areas and schools and action plans detailing management actions to mitigate the risks and control weaknesses identified have been agreed in all cases.
- 20 For all audits finalised during the period April 2020 to March 2021, a total of 360 recommendations were made. 100% of these recommendations have been accepted by management. The establishment of robust follow-up procedures has provided assurance that the implementation of audit recommendations is high; the current position on the implementation of high priority recommendations is 81%.
- 21 Outstanding actions in response to all recommendations have been noted; these have been subject to pragmatic revisions to previously agreed dates, on a risk basis, mainly to take account of service restructures and COVID 19. It has therefore not been necessary to instigate the audit recommendation escalation policy agreed with the Audit & Governance Committee.
- 22 Auditees score individual areas of the audit process resulting in a combined total client satisfaction score (100% Very Satisfied, 75% Satisfied, 50% Dissatisfied, 25% Very Dissatisfied). The average auditee satisfaction score for 2020/21 of 85% exceeded the target of 75%, illustrating a high level of satisfaction with the way in which audits are conducted.

Counter Fraud Work

- 23 Counter Fraud work was undertaken during 2020/21 to further improve the Council's arrangements for combating fraud & corruption. This work included targeting fraud risk areas such as employee claims, procurement cards, declarations of interests, planning applications and crisis payments.

- 24 Proactive counter fraud work is carried out including obtaining information on frauds that have occurred in other local authorities through sources such as the National Anti-Fraud Network (NAFN). This information is assessed for risk exposure within our organisation and assurances sought that existing controls would prevent the fraud occurring (e.g. bank mandate attempted fraud).
- 25 Internal Audit have provided specialist investigative resource to support management with high risk fraud areas (housing applications/tenancies, right to buy and blue badges). Time was also spent on coordinating the Cabinet Office National Fraud Initiative (NFI) data matching exercise.
- 26 Proportionate investigations were undertaken during the year in response to every identified or suspected case of financial irregularity.
- 27 The outcomes of this counter fraud work (including concluded investigations and NFI results) are incorporated into the Internal Audit Counter Fraud Work and Whistleblowing Referrals annual report which will be presented to the October 2021 Audit & Governance Committee meeting.

Risk Management Framework

- 28 An annual audit review of the key assurance function Risk Management was carried out and resulted in an 'Reasonable' audit opinion, demonstrating the adequacy of the risk management framework. The Audit & Governance Committee receive, on a quarterly basis, an update on the Council's corporate risk register.

Governance Work

- 29 Internal Audit completed a review of governance arrangements in place between the Council and Poole Housing Partnership (PHP), the Council's wholly owned Arms-Length Management Organisation (ALMO), in respect of Sterte Court cladding works. Several recommendations were made to improve internal control and governance arrangements.
- 30 A BCP Local Code of Governance was in place from 1 April 2020. An update to the Local Code is being taken to this Committee meeting as part of the Annual Governance Statement report.
- 31 Progress made against actions arising from the 2019/20 Annual Governance Statement (AGS) has been reviewed and presented to the Audit & Governance Committee.
- 32 Work has been undertaken to compile the 2020/21 AGS for inclusion in the Council's statement of accounts. As part of the review Service Directors have evaluated the adequacy and robustness of their management controls via the completion of Management Assurance Statements.

Other Work

- 33 A significant amount of post-payment assurance work was carried out on COVID19 grants as required by government guidance.
- 34 A total of 2,919 individual business claims for business grants were verified by Internal Audit through data matching and analysis of provided business bank statements. These claims were subsequently paid and totalled £28,510,000. The review process identified approximately 20 potentially fraudulent claims and 100 cases where incorrect bank details for the business were supplied (either personal accounts or inaccurate details). Consequently, Internal Audit have, conservatively, prevented fraud or error totalling about £1,500,000, although this figure could be as high as £2,500,000.
- 35 Government tools such as Spotlight (for checking business trading status) and the NFI's bank account checking tool have also been used for the following grants to provide a level of assurance prior to payment:

- Discretionary Grants (865 applications) – 6 bank account sort codes corrected, 1 grant refused.
- Additional Restrictions Grants - Stream 2 (288 applications) – (6 high priority and 75 medium priority) queries raised. No issues identified, some high priority cases had already been rejected due to not meeting eligibility criteria.
- Additional Restrictions Grants - Stream 3 (903 applications) – (22 high priority and 541 medium priority) queries raised. No issues identified, some high priority cases had already been rejected due to not meeting eligibility criteria.
- Restart Grants (3679 applications) – (29 high priority and 437 medium priority) queries passed for further investigation by management prior to payment. As a result 6 grant applications were not processed.

36 A significant amount of post assurance work on applications was also carried out including the using the government promoted tools and a separate data matching exercise organised by the NFI.

NFI Bank Account and Trading Status Checker

- Business Grants (6523 applications) – 325 initial queries on trading status and bank account resolved.

Spotlight

- Local Restrictions Support Grant (1798) – no areas of concern identified.

NFI Exercise

- Business Grants and Discretionary Grants (7388 payments) – 75 initial queries, 62 resolved, 13 still being reviewed by SVPP. Some issues regarding eligibility of Small Business Rates Relief identified.

37 Internal Audit have supported management with the recovery of 3 business grants (total value £30k) and are assisting the National Investigation Service (NATIS) with the investigation of a £25k business grant. A total of 17 'Restart Grants' were refused following due diligence checks and use of intelligence received from the National Anti-Fraud Network (NAFN). In addition, 1 restart grant was refused due to not being current tenant and referred to NATIS.

38 To meet grant conditions, Internal Audit carried out appropriate checks on relevant capital funding (including local transport capital block and national productivity investment fund) received from the Department for Transport DfT, prior to sign off by the Chief Executive and Chief Internal Auditor. In all cases, the grants conditions appeared to have been complied with and returns successfully sent to the DfT.

39 Assurance has also been provided on Aspire (European grant) and Troubled Families (government grant) funding.

40 Internal Audit carried out internal audits of the Charter Trustees of Bournemouth and the Charter Trustees of Poole as requested to support their Annual Governance and Accountability Returns (AGAR). This was a fee chargeable service.

41 Assurance on funds allocated to nurseries and pre-schools was also provided during the year.

Compliance with Professional Standards

42 From 1 April 2013, the Public Sector Internal Audit Standards came into effect. The PSIAS apply the IIA International Standards to the UK Public Sector. Under standard 1310, the Council must ensure that it puts in place a quality assurance and improvement programme in respect of Internal Audit, which must include both internal and external assessments. An external assessment is required to take place within 5 years of the effective date of the PSIAS.

- 43 An annual internal self-assessment has been carried out which demonstrated all standards were met. Independence and objectivity have been maintained at all times, in accordance with the standards.
- 44 In order for technical compliance with the PSIAS an external review of the Internal Audit Section is required to be undertaken every 5 years. Options for the external assessor were presented to the Audit & Governance Committee and CIPFA were the preferred provider. CIPFA have recently carried out a validation of our self-assessment and their draft conclusion is that the BCP Internal Audit Team conforms with the PSIAS. Some recommendations and suggestions have been made to further improve compliance arrangements and an action plan to address these will be brought back to the Audit & Governance Committee in October 2021.
- 45 CIPFA has produced a publication “The Role of the Head of Internal Audit in Public Sector Organisations”. This document demonstrates the Head of Internal Audit’s (HIA) critical role in delivering the organisation’s strategic objectives. An annual assessment has been carried out in respect of the five principles contained in this document, which states that the HIA:
- a should promote good governance, assess the adequacy of governance and management of existing risks, and advise on proposed developments;
 - b should give an objective and evidence based opinion on all aspects of governance, risk management and internal control;
 - c must be a senior manager with regular and open engagement across the organisation with the Leadership Team and the external auditor;
 - d must lead and direct an internal audit service that is resourced to be fit for purpose; and
 - e must be professionally qualified and suitably experienced.
- 46 The Chief Finance Officer (CFO) has confirmed, through regular 1:1 meetings and a formal annual appraisal, that the Council’s Chief Internal Auditor is compliant with all of these five principles.

Conclusion

- 47 It is the opinion of the Chief Internal Auditor that the Internal Audit Team complies with professional standards and has completed sufficient and appropriate work to provide assurance on the adequacy and effectiveness of the Council’s internal control environment.

Appendices

Annexe 1	2020/21 Audits Completed
Annexe 2	Key Financial System Audit Opinions
Annexe 3	Internal Audit Assurance Map 2020/21

Annexe 1: 2020/21 Audits Completed

	Service Area	Audit	Assurance Opinion
	SERVICE UNIT AUDITS		
1	Adult Social Care	Shared Lives	Reasonable
2	Adult Social Care	Lone Working Arrangements	Consultancy
3	Adult Social Care	Emergency Duty Service (Out of Hours)	Reasonable
4	Adult Social Care	Business Continuity	Reasonable
5	Adult Social Care	Financial Management	Reasonable
6	ASC Commissioning	Performance Monitoring (19/20/21)	Reasonable
7	ASC Commissioning	Managed Service Provision of Agency Staffing	Reasonable
8	Public Health	Contained Outbreak Management Fund	Reasonable
9	Children's Social Care	Youth Offending Services	Reasonable
10	Children's Social Care	Multi Agency Safeguarding Hub	Reasonable
11	Children's Services	High Needs Block	Partial
12	Children's Services	School Transport	Reasonable
13	Children's Services	Local Authority Designated Officer	Reasonable
14	Children's Services	Early Education Funding	Reasonable
15	Children's Services	Tenancy Arrangements	Partial
16	Children's Services	ICT Systems Applications (19/20/21)	Reasonable
17	Growth & Infrastructure	Complaints, Compliments & FOI process	Partial
18	Growth & Infrastructure	Concessionary Travel Passes	Reasonable
19	Development	Project Management High Level Review	Consultancy
20	Development	Smart Places	Consultancy
21	Destination & Culture	Seafront Income	Substantial
22	Destination & Culture	Beach Huts	Reasonable
23	Destination & Culture	Two Riversmeet (Income Collection)	Reasonable
24	Destination & Culture	Donations	Consultancy
25	Environment	Climate Emergency Programme	Reasonable
26	Environment	Future Parks Accelerator Project	Reasonable
27	Environment	Waste & Recycling Centres Cash Income	Reasonable
28	Environment	Fleet Management	Reasonable
29	Housing	Telecare Services	Reasonable
30	Housing	Housing - Wholly-Owned Companies Governance Follow-Up	Follow Up
31	Communities	Environmental Heath (Food Safety)	Reasonable
32	Finance	Cash Contract	Reasonable
33	Finance	Corporate Credit Cards	Partial

	Service Area	Audit	Assurance Opinion
34	Finance	Insurance	Reasonable
35	Law & Governance	Lone Working Arrangements	Reasonable
36	IT & IS	Modern Workspace	Consultancy
37	Organisational Development	Equality & Diversity Action Plan	Substantial
	KEY ASSURANCE FUNCTION AUDITS		
38	Development	Asset Management	Reasonable
39	Housing	Facilities Management	Partial
40	Finance	Business Continuity	Reasonable
41	Organisation Development	Business Planning & Performance Management	Substantial
42	Finance	Financial Management	Reasonable
43	Communities	Health & Safety (including Fire Safety)	Partial
44	Organisational Development	Human Resources Policies & Training	Partial
45	IT & IS	ICT Policies	Substantial
46	Law & Governance	Information Governance	Consultancy
47	Finance	Procurement	Reasonable
48	Organisation Development	Programme/ Project Management	Reasonable
49	Finance	Risk Management	Reasonable
50	Finance	External Arrangements	Consultancy
51	Corporate	Safeguarding	Partial
	KEY FINANCIAL SYSTEMS AUDITS		
52	Finance\SVPP	Council Tax	Reasonable
53	Finance\SVPP	Non-Domestic Rates	Reasonable
54	Finance	Debtors	Reasonable
55	SVPP	Debtors	Reasonable
56	SVPP	Social Care Financial Assessments	Reasonable
57	Finance	Creditors	Reasonable
58	Finance	Payroll	Reasonable
59	Finance	Treasury Management	Substantial
60	Housing & Communities	Housing Rents	Partial
	SCHOOL AUDITS		
61	Children's Services	Linwood	Reasonable
62	Children's Services	Christchurch Infant School	Reasonable
63	Children's Services	Mudeford Junior School	Reasonable
64	Children's Services	Mudeford Community Infants School	Reasonable
	COUNTER FRAUD AUDITS		
65	All service areas	Employee Claims	Reasonable
66	All service areas	Procurement Cards	Reasonable
67	All service areas	Declarations of Interests	Reasonable
68	Growth & Infrastructure	Planning Applications	Reasonable
69	Adult Social Care	Crisis Payments	Partial

Audits Carried Out Across 2020/21/22 - Completed			
	Service Area	Audit	Status
70	Law & Governance	Marriages & Civil Ceremonies	Final Report issued
71	Growth & Infrastructure	Community Infrastructure Levy	Final Report being issued
72	Children's Services	Mosaic Payments	Draft Report issued
Audits Carried Out Across 2020/21/22 – In progress			
	Service Area	Audit	Status
73	ASC Commissioning	Infection Control Grant	Fieldwork
Audits Deferred For Consideration In 2021/22			
	Service Area	Audit	Comment/ rationale
74	Adult Social Care	Adult Safeguarding	Requested deferral by ASC Corporate Director due to COVID pressures and planned external review.
75	Adult Social Care	ICT - Key Assurance Function	Requested deferral by ASC Corporate Director due to pressures of moving children's system data.
76	ASC Commissioning	Joint Funding to support hospital discharge	Requested deferral by ASC Corporate Director due to COVID pressures and changing landscape.
77	Growth & Infrastructure	Capital Programme & Project Management	Delayed until 2021/22 due to pending establishment of regeneration board.
78	Finance\SVPP	Housing Benefits	Delayed until 2021/22 due to service staff pressures from COVID grant work (reliance placed on previous 'Substantial' audit opinion).
79	Finance\SVPP	Cashiering Services	Delayed until 2021/22 due to limited audit resource and reliance placed on previous 'Substantial' audit opinion).
80	Finance\SVPP	Financial Assessments	Delayed until 2021/22 due to proposed service changes (reliance placed on previous 'Reasonable' audit opinion).
81	Children's Services	St Katherines	Delayed until 2021/22 due to COVID pressures on the school
82	Children's Services	Christchurch Learning Centre	Delayed until 2021/22 due to COVID pressures on the school
83	Housing	Housing Tenancy Data-matching	Requested deferral by Housing Director due to COVID pressures.

Annexe 2: Key Financial Systems Opinions

Assignment Title	Service Area	2020/21 Opinion	2019/20 Opinion	2018/19 Opinion
Council Tax	Finance\SVPP	Reasonable	Reasonable	Reasonable
NDR	Finance\SVPP	Reasonable	Reasonable	Substantial
Housing Benefits	Finance\SVPP	Not reviewed	Substantial	Reasonable
Debtors	Finance	Reasonable	Reasonable	Reasonable
Debtors	SVPP	Reasonable	2019/20/21 Audit	Reasonable
Main Accounting	Finance	Reasonable	Reasonable	Reasonable
Creditors	Finance	Reasonable	Reasonable	Partial
Payroll	Finance	Reasonable	Reasonable	Reasonable
Treasury Management	Finance	Substantial	Reasonable	Substantial
Housing Rents	Housing	Partial*	Reasonable	Reasonable
Cashiering Services	Finance\SVPP	Not reviewed	Substantial	Reasonable
Social Services Financial Assessments	Adult Social Care	Reasonable	c/fwd to 20/21	-
Social Services Financial Assessments	SVPP	Not reviewed	Reasonable	Reasonable

Notes

*Housing Rents - Recommendations were made to improve controls over former tenant debt management, refunds & system access.

Annexe 3

BCP Internal Audit Assurance Map 2020/21

INTERNAL SOURCES OF ASSURANCE	
Source of Assurance	Internal Audit Assurance Work
Internal Audit	<ul style="list-style-type: none"> All Service Directorates audited during 2020-21 72 out of 83 Audits completed (see Annexe 1 for list of audits) 5 Substantial, 46 Reasonable and 10 Partial Assurance Level opinions were given during the year (7 consultancy/1 follow up/3 audits across 2020/21/22 being finalised) There were no Minimal assurance opinions.
Counter Fraud	<ul style="list-style-type: none"> Audit assignments carried out during 2020/21 have considered the risk of fraud Corporate Fraud Officer has provided support to service directorates on high risk external fraud areas (including housing allocation/tenancy) Several investigations carried out and recommendations made to improve controls Participation in National Fraud Initiative (NFI) data matching exercise.
Asset Management	<ul style="list-style-type: none"> Internal Audit carried out an annual assurance review on Asset Management ('Reasonable' audit opinion).
Asset Management (Facilities Management)	<ul style="list-style-type: none"> Internal Audit carried out an annual assurance review on Asset Management. High Priority Recommendations were made to improve arrangements over corporate buildings health & safety policies/procedures, Corporate Property Group reporting, and roles & responsibilities for Service Directorate managed properties resulting in a 'Partial' audit opinion.
Business Continuity	<ul style="list-style-type: none"> Regular reporting took place during the year on corporate emergency planning arrangements to Audit & Governance Committee Corporate Resilience Strategy and Emergency Planning & Business Continuity Governance Framework are in place Internal Audit carried out an annual assurance review on Business Continuity ('Reasonable' audit opinion) Services have reacted as necessary to mitigate the impact of the COVID-19 pandemic.
Business Planning & Performance Management	<ul style="list-style-type: none"> Internal Audit carried out an annual assurance review on Business Continuity ('Substantial' audit opinion).
External Arrangements (Partnerships)	<ul style="list-style-type: none"> Internal Audit carried out a consultancy review on Business Continuity. A draft partnership register, definition and guidance for services has been produced.

INTERNAL SOURCES OF ASSURANCE	
Source of Assurance	Internal Audit Assurance Work
Financial Management	<ul style="list-style-type: none"> Regular reporting took place in year to Cabinet and Council Internal Audit review of Main Accounting system undertaken during the year ('Reasonable' audit opinion)
Health & Safety (including Fire Safety)	<ul style="list-style-type: none"> Reporting of arrangements to Audit & Governance Committee took place in the year Internal Audit carried out an annual assurance review. Recommendations were made to improve arrangements over service directorate fire safety coordinators, fire safety reporting arrangements, the fire risk assessment programme and Health & Safety Board attendance resulting in 'Partial' audit opinion
Human Resources	<ul style="list-style-type: none"> Audit review carried out on corporate Human Resources arrangements covering policies and mandatory training. Recommendations were made to improve arrangements over HR\Payroll policies compliance role, mandatory training policy and completion by staff resulting in a 'Partial' audit opinion
Information Communication Technology	<ul style="list-style-type: none"> Internal Audit carried out an annual assurance review on ICT Policies ('Substantial' audit opinion)
Information Governance	<ul style="list-style-type: none"> Information Governance Board in place and regular meetings occurring Internal Audit carried out a consultancy review of Information Governance resulting in agreed revised dates for previous audit recommendations
Procurement	<ul style="list-style-type: none"> Internal Audit review of Procurement carried out across 2019/20/21 ('Reasonable' audit opinion) See separate Annual Report on Breaches and Waivers reported to this committee
Project & Programme Management	<ul style="list-style-type: none"> Transformation & Capital Investment Governance Framework in place and Capital & Transformation Board Internal Audit carried out an annual assurance review on Project & Programme Management ('Reasonable' audit opinion)
Risk Management	<ul style="list-style-type: none"> Legacy Council's Corporate Risk Management Strategies and frameworks in place Regular risk management reporting took place during the year to Audit & Governance Committee and Senior Management Audit review carried out on current arrangements for risk management ('Reasonable' audit opinion)

INTERNAL SOURCES OF ASSURANCE	
Source of Assurance	Internal Audit Assurance Work
Safeguarding	<ul style="list-style-type: none"> Internal Audit carried out the first assurance review on corporate safeguarding arrangements. High Priority Recommendations were made to improve arrangements over safeguarding training for all staff and completeness of Disclosure & Barring Service (DBS) checks resulting in a 'Partial' audit opinion
Management Assurance Statements	<ul style="list-style-type: none"> Received from all Service Directors Any potential significant issues raised were considered for inclusion on the Annual Governance Statement
EXTERNAL SOURCES OF ASSURANCE	
External Audit	Quality / Accreditation Schemes
External Reviews & Inspections	External Benchmarking
Regularity Bodies	Peer Reviews

AUDIT AND GOVERNANCE COMMITTEE



Report subject	Annual Breaches and approved Waivers of Financial Regulations Report 2020/21																																	
Meeting date	29 July 2021																																	
Status	Public Report																																	
Executive summary	<p>This report sets out the breaches and waivers of Financial Regulations (the Regulations) which have occurred during the 2020/21 financial year and highlights the following:</p> <table border="1"> <thead> <tr> <th></th><th colspan="2">2020/21 BCP Council</th><th colspan="2">2019/20 BCP Council</th><th colspan="2">2018/19 (legacy Councils)</th></tr> <tr> <th></th><th>Breaches</th><th>Waivers</th><th>Breaches</th><th>Waivers</th><th>Breaches</th><th>Waivers & Exemptions</th></tr> </thead> <tbody> <tr> <td>Total (count)</td><td>5</td><td>116</td><td>8</td><td>66</td><td>4</td><td>93</td></tr> <tr> <td>Total (£ value)</td><td>£870,561</td><td>£12.6M</td><td>£171,625</td><td>£13.8M</td><td>£3,083</td><td>£8.5M</td></tr> </tbody> </table> <p>The low number of breaches compared to previous years indicate that there was generally a good level of understanding of the Regulations.</p> <p>The Chief Finance Officer, or formally delegated representatives, agreed 116 waivers totalling £12.6M.</p> <p>The higher number of waivers compared to 2019/20 is materially due to the impact of COVID19 and the requirement to either directly award or run procurement processes with a select list of suppliers to be able to deliver goods, services and work, for both revenue and capital projects at speed in response to the pandemic and the emerging issues it presented. BCP Council has followed Government issued advice and guidance in making procurement decisions during 2020/21 related to COVID19.</p> <p>The advice and guidance state that sufficient documentation needs to exist to justify decisions taken in all stages of the procurement procedure in case of future challenge. BCP Council maintains Procurement Decision Records (PDR's) which satisfy this requirement.</p> <p>Whilst full compliance can never be guaranteed and 'under-reporting' of breaches, in particular, is an inherent possibility, arrangements were in place to detect instances of non-compliance.</p> <p>An effective and transparent breaches and waiver governance process maximises the chances of the Council achieving value for</p>							2020/21 BCP Council		2019/20 BCP Council		2018/19 (legacy Councils)			Breaches	Waivers	Breaches	Waivers	Breaches	Waivers & Exemptions	Total (count)	5	116	8	66	4	93	Total (£ value)	£870,561	£12.6M	£171,625	£13.8M	£3,083	£8.5M
	2020/21 BCP Council		2019/20 BCP Council		2018/19 (legacy Councils)																													
	Breaches	Waivers	Breaches	Waivers	Breaches	Waivers & Exemptions																												
Total (count)	5	116	8	66	4	93																												
Total (£ value)	£870,561	£12.6M	£171,625	£13.8M	£3,083	£8.5M																												

	money and complying with UK Procurement Legislation (Public Contract Regulations 2015 (PCR15)) principles when procuring goods, services or works under PCR15 thresholds.
Recommendations	It is RECOMMENDED that: The Audit & Governance Committee note the breaches & waivers of Financial Regulations that occurred during 2020/21.
Reason for recommendations	To comply with Financial Regulations which require that all breaches & waivers are considered annually by the Audit & Governance Committee.
Portfolio Holder(s):	Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
Report Authors	Nigel Stannard Head of Audit & Management Assurance ☎ 01202 128784 ✉ nigel.stannard@bcpcouncil.gov.uk
Wards	Council-wide
Classification	For Information

Background

- Financial Regulations (the Regulations) set out the procedures and standards for financial management and control, and specifically:
 - the purpose of each section in the relevant Part of the Regulations (why it is important);
 - the standards and controls that must be observed (how the Regulations serve to facilitate the good governance and the proper administration of the Councils financial affairs);
 - the specific roles and responsibilities of Councillors, the Chief Executive, the Chief Financial Officer (CFO) / S151 Officer, the Monitoring Officer and other named Officers in relation to doing so (the accountability framework); and
 - detailed procedure notes and relevant financial thresholds where these apply (what must be done and in what way).
- The Regulations require that all breaches and waivers of financial regulations are reported to the CFO / S151 Officer or their delegated officer along with details of any management action to address the issues arising. A combination of the Internal Audit and Strategic Procurement Teams maintained a record of all breaches and waivers to enable full, transparent and accurate reporting to Audit & Governance Committee.

Breaches of Financial Regulations

- During the 2020/21 financial year five breaches of Financial Regulations have been identified, totalling £870,561 (compared to 8 breaches, totalling £171,625 in 2019/20), and as summarised in the table below:

Breach Ref.	Service Unit	Detail of Breach	Value
Br1(5)	Children's Services	<p>Failure to obtain waiver approval for 5 individual contracts:</p> <ol style="list-style-type: none"> 1. Safe Families for Children (£97,500) 2. Mind of My Own (£30,335) 3. Independent Birth Relative Service (£29,500) 4. Motivational & Personal Success (£292,990) 5. Connie Rothman Learning Trust Contract (£420,236) 	£870,561

- Regarding these breaches, Children's Services involved the Strategic Procurement Team in a number of intended commissioning of service plans and consequently produced five waiver requests in a batch for the CFO to approve as required. The Commissioning Manager and the Strategic Procurement representative verbally agreed that the five waivers were complete and were sufficiently robust to be passed to firstly the responsible Service Director(s) in Children's Services and then secondly on to the CFO for formal approval and sign off.
- However a combination of illness, COVID19 pressures, including working from home and staff turnover within Children's Services resulted in these waivers not being signed off for approval before the respective contracts or orders were agreed with the suppliers and in most cases some payments had been made. The responsible Service Director(s) stated that arrangements were put in place (with immediate effect) to ensure that waivers in the Service were internally tracked to prevent a reoccurrence. The breaches were reported to the Chair of the Audit & Governance Committee at the time of the event (November 2020) for awareness and to provide assurance that action had been taken to prevent a reoccurrence.
- This low level of breaches suggests a good level of understanding of the requirements amongst managers and officers and has resulted in good compliance with the Regulations.
- While it is not possible to say that there have been no further breaches, at the current time none have been brought to the attention of, or have been identified by, the Head of Audit & Management Assurance or the Head of Strategic Procurement for the reporting period considered here.

Waivers of Financial Regulations

- Sometimes circumstances mean that it may not be possible for Senior Responsible Officers to comply with a specific part of the Regulations.
- As a result, the Regulations allow for a request to be made to the CFO / S151 Officer (or formally delegated representative) to waive normal practice requirements. The ability of the CFO to approve waiver requests was limited at all times to the specific requirements of UK legislation and/or directives. Consequently, some requests were declined, and the Regulations were followed in full.
- The CFO (or formally delegated representative) may approve a waiver in the following procurement circumstances:

- a) Accelerated procurement (in the case of urgency for example) where the Council would suffer significant negative impact if the full operational or strategic procurement approach is applied.
- b) Limited suppliers in the market (did not invite or could not obtain 3 quotes or tenders).
- c) Propose not to use an available Corporate Contract or available and existing in-house service.
- d) Payments in advance for goods and services exceeding £25,000 or six months (and also over £1,000) ((except where T&C's approved by Legal Services apply).
- e) Any payment in advance for works (except where T&C's approved by Legal Services apply).

11. During the period 1 April 2020 to 31 March 2021, a total of 116 requests were approved by the CFO. The contract value of these waivers totalled £12.6M (this is a rounded figure).

12. A summary by classification type of waivers approved by the CFO is set out in the table below and more details of each waiver is set out in Appendix 1.

Waiver Type	Total (20/21) BCP	Total (19/20) BCP	Total (18/19) Legacy Councils
Accelerated procurement including urgency	34	9	7
Limited suppliers (did not invite or could not obtain 3 quotes or tenders)	81	48	81
Other *	1	9	5
Total (Count)	116	66	93
Total (£ value in £M)	£12.6	£13.7	£8.5

*payments in advance greater than £25,000 or six months (and also over £1,000), or not using an available corporate contract.

13. The higher number of waivers compared to 2019/20 is materially due to the impact of COVID19. During the pandemic, particularly the early stages in the spring and summer of 2021, the number of 'Limited supplier' waivers (did not invite or could not obtain 3 quotes or tenders) increased because a significant number of suppliers were asked but could not supply a quote, or supply the goods, services or works to the Council. Some suppliers closed completely as a result of the Government's 'furlough' scheme whilst others were running at reduced capacity. There was also an increase in the number of Council 'Accelerated procurement' waivers required to either direct award or run procurement processes with a select list of suppliers to be able to deliver goods, services and work, for both revenue and capital projects at speed in response to the pandemic and the emerging issues it presented.
14. BCP Council has followed Government issued advice and guidance in making procurement decisions during 2020/21 related to COVID19. The advice and guidance state that sufficient documentation needs to exist to justify decisions taken in all stages of the procurement procedure in case of future challenge, BCP Council maintains Procurement Decision Records (PDR's) which satisfy this requirement.
15. There has also been an impact caused by 'Transformation Programme /LGR' where some incumbent supplier contracts have been extended to allow time for redesign, for new procurement processes to take place and to align the end date of legacy council

contracts to the same date. This is particularly common for some IT software and hardware related contracts. Where incumbent suppliers have been awarded extended contracts, these are shown in the 'Limited suppliers' category

16. The total value of waivers for BCP Council in 2020/21 (£12.6m) has slightly decreased compared to 2019/20 (£13.7m). Comparing total waiver values year on year is of limited value because of the differing nature and type of each contract being waived.

17. If a member of this Committee has a question pertaining to any specific waiver in the Appendix, then it may be necessary to answer the question outside of the committee meeting as the Head of Audit & Management Assurance may not have detailed explanations to hand for all 116 records. However, further explanations on some of the more significant waivers (by £ value) are outlined below:

➤ **Record 87, waiver reference W00502, Housing Related Support (HRS) payments,**

Total Value: £2,966,830

Payments in advance

The waiver covers a 2 year period (June 20 – July 22) and is made up of 8 suppliers (15 sites) and is for payments in advance for Housing Related Support (HRS).

Payments have been every four weeks in advance since the start of all HRS contracts in circa 2012. This is to enable providers, particularly the smaller organisations, to pay staff and ensure continuation of service delivery. Providers receive a remittance advice every four weeks which details the payment amount and the payment period.

➤ **Record 5, waiver reference W00542, Spot Purchase of Domiciliary Care Hours**

Total Value: £2,113,497

Accelerated procurement - Not Openly Advertising (select specialist list used)

The waiver covers a 4 year period (April 20 – March 24) and is made up of 23 suppliers. The waiver enables flexibility to spot purchase from suppliers who are not part of the Council's framework contract, but only in the circumstance where those framework providers have stated they are unable to meet the Council's service request. The Council pays framework hourly rates so there are no additional costs associated with this waiver. The circumstances where framework suppliers cannot provide the Council with the service requested is generally around workforce capacity.

➤ **Record 107, waiver reference W00567, Contact Centre Solution**

Value: £703,455

Limited Suppliers (did not invite or obtain 3 quotes or tenders)

The waiver covers a 3 year period (Oct 20 – Oct 23) with an option for 2 one year extensions, cost p.a. £140,687. Specialist software.

Anywhere 365 Contact Centre solution enables the Council to continue delivering the Council's Contact Centre service with an updated platform and integrating into other Council Office 365 software. The option to pay for a 36 month contract offered a considerable discount as opposed to paying monthly / annually contract.

➤ **Record 76, waiver reference W00560, Provision of Community Transport**

Value: £319,180

Limited Suppliers (did not invite or obtain 3 quotes or tenders)

The waiver covers 4 year period (Oct 20 – Sept 24), direct award, specialist supplier/market.

The Council works in partnership with SEDCAT the social enterprise operating the service (formally Bournemouth CVS) for the supply of a Community Transport Service for mobility impaired Bournemouth residents and visitors and includes a ring and ride accessible minibus service, a social car scheme and a Shopmobility scheme.

➤ **Record 7, waiver reference W00586, Extension of Advocacy Contracts**

Value: £316,500

Limited Suppliers (did not invite or obtain 3 quotes or tenders)

The waiver covered a contract extension (Jan 21 – Sept 22).

Dorset Council is lead commissioner for the advocacy services and the decision to extend is due to upcoming legislative changes by way of the Mental Capacity Amendment Bill taking effective on 1 April 2022 and to maintain current services whilst we plan for these changes to include retaining the current provider for the first 6 months of the changes.

Adult Social Care Directorate is introducing a new approach to assessing people's needs and planning their care and support during 2021/22. This is in line with the personalisation agenda of the Care Act and, as such, there will need to be a review of advocacy arrangements for supporting this new approach.

➤ **Records 36, 40-53, waiver references W00522, W00624-W00637, Development - Smart Place**

Value: Total of 15 waivers for the 'Smart Place Project' £873,923, specialist supplier/limited market.

The waivers are connected to deliver first phase of our Smart Place programme a pilot in the Lansdowne area of Bournemouth deploying and delivering a full fibre and 5G network and then looking to develop use cases that demonstrate the value, economic and social, that these technologies can bring. This Pilot is funded by the Dorset LEP.

The waivers cover the specialist infrastructure, software and consultancy and is made up from a limited market of highly specialist products and services. Where possible benchmarking has been undertaken and has primarily been evaluated on deliverability (quality) within the budget.

Options Appraisal

18. An options appraisal is not applicable for this report.

Summary of financial implications

19. An effective and transparent breaches/waivers/exemptions governance process maximises the chances of achieving value for money when procuring goods, services or works.

Summary of legal implications

20. An effective and transparent breaches/waivers/exemptions governance process maximises the chances of complying with Public Contracts Regulations 2015 (UK law).

Summary of human resources implications

21. There are no direct human resource implications arising from this report.

Summary of sustainability impact

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

Summary of public health implications

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

Summary of equality implications

24. There are no direct equality implications from this report

Summary of risk assessment

25. Failure to have appropriate financial regulations and procurement rules which ensures accountable and transparent processes are in place puts the Council at risk of challenge.

Background papers

None

Appendices

Appendix 1 - Waivers of Financial Regulations 2020/21

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Appendix 1 – Waivers of Financial Regulations 2020/21

Waivers					
Count	Waiver Ref.	Project Title	Supplier	Waiver Type	Waiver Value
Adult Social Care					
1	W00507	Provision of an Addiction Care Coordinator in the Alcohol Care and Treatment Service (ACTS), Poole Hospital NHS Foundation Trust	Poole NHS Hospital Trust	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£40,000
2	W00508	Residential Rehabilitation for Substance Misuse	Various suppliers, refer to waiver	Accelerated procurement - Not Openly Advertising (select specialist list used)	£160,000
Total:					£200,000
Adult Social Care Commissioning					
3	W00516	Counselling provision for individuals with substance misuse issues dealing with significant trauma	Jackie Chester	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£20,000
4	W00538	Self Advocacy Support Service for Adults with a Learning Disability	People First Forum	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£234,000
5	W00542	Spot Purchase of Domiciliary Care Hours	Various	Accelerated procurement - Not Openly Advertising (select specialist list used)	£2,113,497
6	W00573	Brain in Hand pilot	Brain in Hand Ltd	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£32,000
7	W00586	Extension of Advocacy Contracts	Dorset Advocacy	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£316,500
8	W00587	Extension of Mental Health Advocacy Contract	Dorset Mental Health Forum	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£97,400
9	W00591	Proud to Care Recruitment Campaign	Hot Radio CAN Digital Luvvox	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£27,950
Total:					£2,841,347
Children's Services					
10	W00504	Annual NCER Membership	National Consortium for Examination Results	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£38,649
11	W00505	FFT Aspire Annual Membership	FFT Education Ltd	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£84,505
12	W00525	Springwood Special School Expansion	Drewlec	Accelerated procurement - Urgency	£40,652

Appendix 1 – Waivers of Financial Regulations 2020/21

13	W00544	Permanent Recruitment Services for Children's Services Recruitment Campaign (October 2020)	iPeople Solutions Limited	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£100,000
14	W00577	Locum Educational Psychologist	Tabla Psychology Ltd (Tamasine Black)	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£15,000
15	W00593	Hillbourne Primary School – Rebuild – ICT	Professional Software Design Ltd t/a School Care	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£60,000
16	W00607	Foster Care Recruitment	Lime Tree Marketing	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£90,000
Total:					£428,806
Communities					
17	W00509	Dog Kennelling	Margaret Green Animal Rescue	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£12,000
18	W00512	Operation of Boscombe Market and Poole Market	SMT Management Limited	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£43,000
19	W00514	Boscombe Towns Fund – Masterplan	New Masterplanning	Accelerated procurement - Not Openly Advertising (select specialist list used)	£36,000
20	W00515	Boscombe Towns Fund - Topological Survey	Dorset Land Surveying	Accelerated procurement - Not Openly Advertising (select specialist list used)	£9,000
21	W00540	Food Hygiene Inspections	Resolve Safety Solutions/Central Inspection Agency Ltd	Accelerated procurement - Urgency	£35,000
22	W00541	Health and Safety Service Support for Covid 19 Work and H&S Policies Development	Wessex Safety Services LLP	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£29,400
23	W00549	Covid Marshalls	Showsec International Ltd	Accelerated procurement - Not Openly Advertising (select specialist list used)	£60,000
24	W00555	Food parcels for shielded residents	Various	Accelerated procurement - Not Openly Advertising (select specialist list used)	£36,800
Total:					£261,200
Destination & Culture					
25	W00527	Architect Services for Welcome Centre and Volunteer Facility at Upton Country Park	Western Design Architects	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£72,384
26	W00529	Specialist Consultancy Services for Leisure Management	Max Associates	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£50,000

Appendix 1 – Waivers of Financial Regulations 2020/21

27	W00530	24 Hour Security Provision at Seafront for Summer 2020	Insight Security and Facilities LTD	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£185,000
28	W00532	Shop Local, Shop Safe Campaign	Alive with Ideas Bright Blue Day CuCo Creative McKenna Townsend Thinking Juice Three Sided Cube	Accelerated procurement - Not Openly Advertising (select specialist list used)	£90,000
29	W00548	Architect Services for Bistro Redevelopment Project	Footprint Architects Ltd	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£29,950
30	W00558	Destination Management Software	Simple View Inc - New Mind Internet Consultancy Ltd	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£179,848
31	W00559	Upton Country Park P&D Machine upgrade	IPS Group Ltd	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£19,350
32	W00583	Our Museum - Structural Engineering Services	The Morton Partnership	Accelerated procurement - Not Openly Advertising (select specialist list used)	£27,540
33	W00584	Our Museum - MEP Engineering Services	Max Fordham LLP	Accelerated procurement - Not Openly Advertising (select specialist list used)	£47,840
34	W00599	Supply of Electric Barbecues for BCP Council Seafront	All Urban Ltd	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£179,735
35	W00600	Additional Planning resource to Development Management Team	Regional Enterprise Limited (Capita)	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£100,000
Total:					£981,647
Development					
36	W00522	Smart Place - 5G n77 Band ORAN Radio Head Non-recurring Engineering and Prototype	AW2S	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£86,500
37	W00535	Beach Check Application Stage 2 Development	X-tention/Xpertnest	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£32,000
38	W00576	Supply of a Design, Fabrication Drawings and Specification for the Chine Forest Artwork for the Lansdowne Highway Works Project	Urbis Schreder Ltd	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£30,000
39	W00594	ARG Stream 3	Dorset Growth Hub T/A WSX Enterprise	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£50,000
40	W00624	Smart Place - 5G infrastructure – Band n78 Radiohead	ARCA TELECOM	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£7,027

Appendix 1 – Waivers of Financial Regulations 2020/21

41	W00625	Smart Place - 5G infrastructure	ARCA TELECOM	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£158,471
42	W00626	Smart Place - City Brain – service BUS	X-Tention	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£25,000
43	W00627	Smart Place - EMF probes delivery. Probes (3) installation in Lansdowne. Dashboard web platform	ARCA TELECOM	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£33,823
44	W00628	Smart Place - Lansdowne 'smart' benches	Qi Managed Services	Accelerated procurement - Not Openly Advertising (select specialist list used)	£39,170
45	W00629	Smart Place Investment Plan Independent Review	Cedar Professional Services Ltd	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£10,400
46	W00630	Smart Place Investment Plan Consultancy Part I	Edge Economics Limited; Moor Economics Ltd; Softwood Consulting Ltd; Next Generation Internet Services Ltd	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£60,000.00; £55,000.00; £30,000.00; £60,000.00 Total Contract Value £205,000
47	W00631	Smart Place - Lansdowne Pilot Project – Challenge Fund	IDNEO	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£34,500
48	W00632	Smart Place - Lansdowne Smart Place Pilot Data Centre	Kimcell	Accelerated procurement - Not Openly Advertising (select specialist list used)	£44,820
49	W00633	Smart Place - 5G infrastructure – Core Network Equipment	STORDIS	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£10,048
50	W00634	Smart Place – Smart City Expo World Congress	Global Brand Communications	Accelerated procurement - Not Openly Advertising (select specialist list used)	£22,000
51	W00635	Smart Place - 5G infrastructure	AW2S	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£103,591
52	W00636	Smart Place - 5G infrastructure	AW2S	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£76,995
53	W00637	Smart Place - EMF probes delivery. Probes (2) installation in Boscombe	ARCA TELECOM	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£16,578
Total:					£985,923
Environment					
54	W00506	Service Agreement for Cremators, Abatement Plant and Emission Testing	Facultative Technologies Ltd	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£83,470
55	W00531	Gritter hire for winter service	Econ UK	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£36,000

Appendix 1 – Waivers of Financial Regulations 2020/21

56	W00534	Nuffield Waste Transfer Station – Driver Operated Consoles (DOC) Replacement	Avery Weigh-Tronix	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£37,294
57	W00547	Supply of Access Gates as well as a Booking & Membership Management System at Poole Park (PP) and Branksome Park (BP) Tennis Courts	CIA Fire and Security	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£15,508
58	W00572	BH Coastal Lottery	Gatherwell LTD	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£24,725
59	W00592	Replacement of failing Millhams HWRC weighbridge	Avery Weigh-Tronix	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£31,840
60	W00606	Beach Tractor Replacement	Hunt Forest Group Ltd	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£84,050
Total:					£312,887
Growth & Infrastructure					
61	W00513	Software support for Poole bridges	IES works	Accelerated procurement - Urgency	£95,000
62	W00518	Highway Data Collection and Analysis	Gaist Solutions Ltd	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£23,360
63	W00519	GPS topographic surveying kit purchase	KOREC Group	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£117,145
64	W00524	Strategic Retail and Leisure Study for BCP Council	Lichfields	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£60,000
65	W00526	AutoCAD collaboration platform (BIM360)	Graitec Ltd	Accelerated procurement - Not Openly Advertising (select specialist list used)	£91,600
66	W00528	GIS online licenses (ArcGis product)	ESRI	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£37,458
67	W00536	Parts for Twin Sails Bridge	Aero Tech	Accelerated procurement- Urgency	£8,451
68	W00543	Turlin Moor Channel Desilting Works	Ebsford Environmental Ltd	Accelerated procurement - Urgency	£24,000
69	W00545	Car Club	Co Wheels	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£10,699
70	W00546	Twin Sails Bridge Seals and Pin 2 Replacement	Mechanical Services Ltd	Accelerated procurement - Urgency	£18,170
71	W00552	Surface water infrastructure: investigations and repairs	Clear View Surveys Limited	Accelerated procurement - Not Openly Advertising (select specialist list used)	£40,000
72	W00553	Local Bus Service contracts – school route 46	Yellow Buses	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£20,767
73	W00554	Local Bus Service contracts – school route 81	Yellow Buses	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£14,633

Appendix 1 – Waivers of Financial Regulations 2020/21

74	W00556	Independent technical expert advising on Twin Sails Bridge issues	KGAL	Accelerated procurement - Not Openly Advertising (select specialist list used)	£100,000
75	W00557	Corporate digital licence for NEC4	ICE	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£42,450
76	W00560	Provision of Community Transport	SEDCAT	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£319,180
77	W00564	SMP wide BMP (Durlston to Hurst Sediment Resource Management Programme)	COASTLINE MARINE SERVICES LIMITED	Accelerated procurement - Not Openly Advertising (select specialist list used)	£41,806
78	W00568	Road Management Software	Buchanan Computing Ltd	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£36,095
79	W00574	Traffic Counter Upgrade	Qfree	Accelerated procurement - Not Openly Advertising (select specialist list used)	£40,000
80	W00582	Bridge Management Database Software	AMX Solutions Ltd	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£26,300
81	W00590	Underwater Inspection of Baiter Sluice Culvert	Commercial and Specialised Diving Ltd	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£9,033
82	W00597	Mobile Variable Messaging Signs (VMS)	Mobile VMS	Accelerated procurement - Not Openly Advertising (select specialist list used)	£61,750
83	W00598	Immobilisation and Removal of Vehicles Parked in Contravention of On-Street and Off-Street Parking Restrictions	Bourne Transport/GRS 24-hour Breakdown Recovery	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£10,000
84	W00602	Value for Money Review of the Bournemouth Development Company Joint Venture (BDC JV)	Local Partnerships	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£36,800
85	W00603	Accelerating development through a wholly owned regeneration company	Inner Circle Consulting	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£37,150
86	W00575	BCP – Mass Transit Study	Aecom Ltd	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£25,507
Total:					£1,347,354
Housing					
87	W00502	Housing Related Support Payments	Various	Other - Payment in advance	£2,966,830
88	W00539	Homelessness, Housing Register & Lettings IT System	Locata	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£166,140
89	W00550	Environmental Innovation Hub, Durley Chine	TBC	Accelerated procurement - Not Openly Advertising (select specialist list used)	£90,000

Appendix 1 – Waivers of Financial Regulations 2020/21

90	W00562	Housing Asset Management Software	Civica UK Limited	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£26,251
91	W00588	Consultancy for Housing Management Model Review	HQN Ltd	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£92,925
Total:					£3,342,146
IT & IS					
92	W00510	Checkpoint Firewall Package	Ultima Business Solutions Ltd	Accelerated procurement - Not Openly Advertising (select specialist list used)	£31,088
93	W00511	Checkpoint Firewall Support Package	Secon Cyber Security	Accelerated procurement - Not Openly Advertising (select specialist list used)	£12,200
94	W00537	Microsoft Teams Communication and Telephony - System Deployment and Change Management Support	365 Tribe Ltd	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£30,000
95	W00551	Disaster Recovery Service Agreement	Daisy Corporate Services Trading Limited	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£88,260
96	W00579	Cabling Upgrade to BCP Civic Centre	Data-Path	Accelerated procurement - Not Openly Advertising (select specialist list used)	£132,135
Total:					£293,683
Organisational Development					
97	W00521	Supply of Screens for Customer Facing Locations across the BCP Council Estate	BT Office Furniture Abacus AP Ltd	Accelerated procurement - Not Openly Advertising (select specialist list used)	£30,000
98	W00523	Provision of an Employee Assistance Programme	Health Assured Limited	Accelerated procurement - Not Openly Advertising (select specialist list used)	£34,652
99	W00533	Employment Legal Advice and Support Services	Foot Anstey LLP	Accelerated procurement - Not Openly Advertising (select specialist list used)	£25,000
Total:					£89,652
Poole Housing Partnership					
100	W00570	Sterte Court - Communal Fire Door Works	Ecosafe Heating	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£98,672
Total:					£98,672
Regeneration & Economy					
101	W00585	Relocation of Adult Education from Oakdale to Dolphin Centre	Morgan Design Studio	Accelerated procurement - Not Openly Advertising (select specialist list used)	£68,801
Total:					£68,801
Resources					



Appendix 1 – Waivers of Financial Regulations 2020/21

102	W00517	Civica Collections - One Step Enforcement Software	Civica UK Limited	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£25,716
103	W00561	Forcepoint Web Security	Secon Cyber Security	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£144,000
104	W00563	GCF Core Services Connection	Vodafone Ltd	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£27,801
105	W00565	Phishing Simulation Software	MetaCompliance	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£41,854
106	W00566	MS Dynamics Annual Support Contract	KPMG	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£35,000
107	W00567	Contact Centre Solution	Transparity	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£703,455
108	W00569	Checkpoint Firewall Hardware	Secon Cyber Security Ltd	Accelerated procurement - Not Openly Advertising (select specialist list used)	£52,500
109	W00578	Premium Council Tax Single Person Discount Service	Synectics Solutions Limited	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£18,000
110	W00580	Power Platform Centre of Excellence	Transparity Solutions Limited	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£11,200
111	W00581	Cautionary Contact System	Transparity Solutions Limited	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£14,750
112	W00595	Planning Applications and Land Charges System	Idox Group Ltd	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£28,781
113	W00596	Corporate Electronic Document Management System	Idox Group Ltd	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£52,099
114	W00601	Estates and Accommodation Programme - Wifi Support and Maintenance and Procurement of Access Points	Pervasive	Accelerated procurement - Not Openly Advertising (select specialist list used)	£66,036
115	W00602	Geographic Information System (GIS) Software (iExchange, iManage & iValidate LLPG)	Aligned Assets	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£14,572
Total:					£1,235,764
Stour Valley and Poole Partnership					
116	W00589	Electronic Document Management and Workflow System for Stour Valley and Poole Partnership (SVPP)	Northgate Public Services	Limited Suppliers (did not invite or obtain 3 quotes or tenders)	£144,242
Total:					£144,242
Grand Total					£12,632,124

AUDIT AND GOVERNANCE COMMITTEE



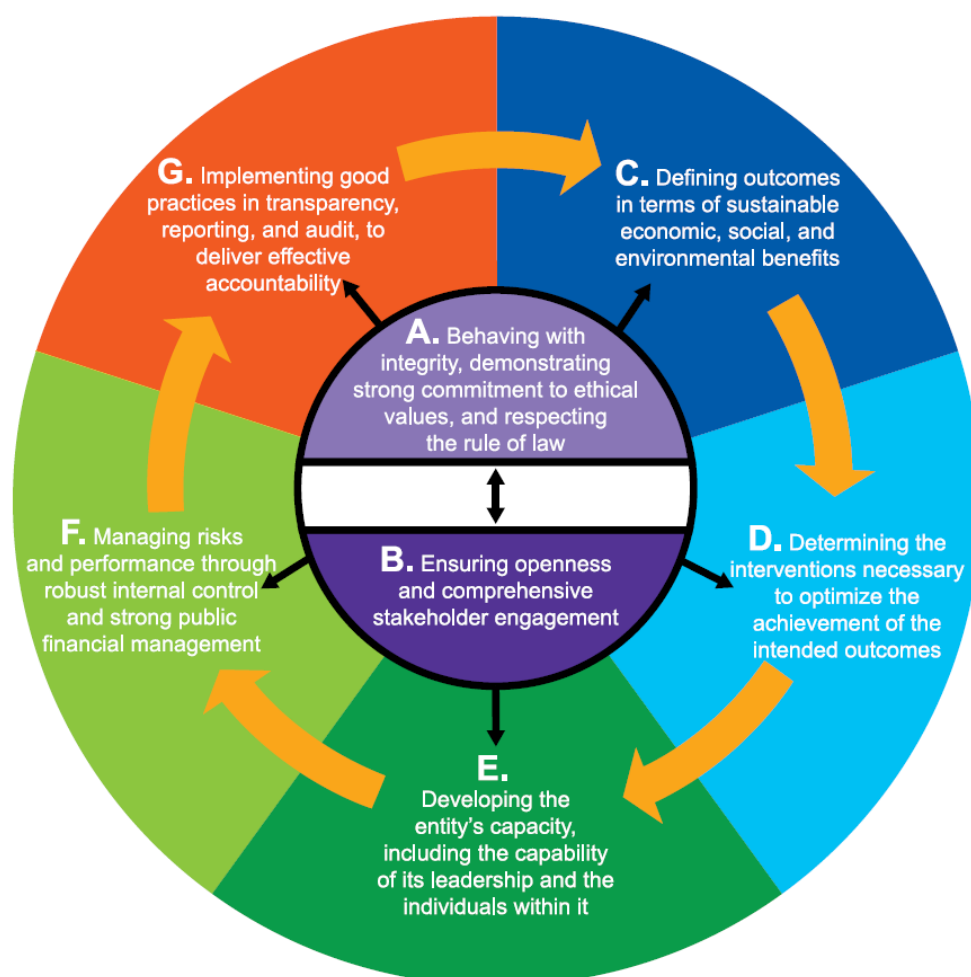
Report subject	Annual Governance Statement (AGS) 2020/21 and annual review of Local Code of Governance
Meeting date	29 July 2021
Status	Public Report
Executive summary	<p>The Accounts and Audit Regulations 2015* require councils to produce an Annual Governance Statement (AGS) to accompany its Statement of Accounts.</p> <p>This report seeks approval for the AGS for BCP Council.</p> <p>The AGS concludes that BCP Council “has effective and fit-for-purpose governance arrangements in place in accordance with the governance framework”.</p> <p>After considering all the sources of assurance (for governance arrangements), BCP Corporate Management Board identified that the following significant governance issues existed:</p> <ul style="list-style-type: none"> • Governance of Children’s Social Services • Governance Arrangements with External Bodies <p>An action plan to address these significant governance issues has been produced and is being implemented. An update against the action plan will be brought to Audit & Governance Committee in January 2021.</p> <p><small>*and as amended by the Accounts and Audit (Amendment) Regulations 2021</small></p>
Recommendations	<p>It is RECOMMENDED that:</p> <ol style="list-style-type: none"> The Annual Governance Statement 2020/21 for BCP Council is approved and the Leader and Chief Executive are asked to formally sign it. The BCP action plan to address significant governance issues is approved and a progress update will be presented to Audit & Governance Committee in January 2022. The Local Code of Governance, which is subject to evolution to reflect changing governance arrangements, is noted.
Reason for recommendations	The Accounts and Audit Regulations 2015 require authorities to conduct a review at least once a year of the effectiveness of its governance arrangements and, following the review, approve an AGS which must accompany and be published with the Council's

	Statement of Accounts.
Portfolio Holder(s):	Cllr Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
Report Authors	<p>Nigel Stannard</p> <p>Head of Audit & Management Assurance</p> <p> nigel.stannard@bcpcouncil.gov.uk</p> <p>Ruth Hodges</p> <p> ruth.hodges@bcpcouncil.gov.uk</p> <p>Audit Manager</p>
Wards	Council-wide
Classification	For Decision

Background

1. The Accounts and Audit Regulations 2015 require the Council to produce an Annual Governance Statement (AGS) following review of its governance framework. This review is carried out in accordance with the CIPFA/SOLACE 'Delivering Good Governance in Local Government' framework and guidance.
2. The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and by which it is accountable to, engages with and leads the community.
3. BCP Council's Local Code of Governance describes the Council's governance framework using the seven principles of governance identified by best practice, shown in diagram 1 below.
4. The AGS comments on the effectiveness of these arrangements and identifies any significant issues (weaknesses) for the Council to address.
5. The AGS is published with the Council's Statement of Accounts and is required to be signed by the Chief Executive and Leader, who must be satisfied that the document is supported by reliable evidence. It is reviewed by External Audit as part of the 2020/21 Audit. The Audit & Governance Committee is required to review the AGS and monitor the Council's response to the issues identified in the action plan.

Diagram 1, taken from the 'International Framework: Good Governance in the Public Sector'



Process for Compiling the AGS

6. The AGS is compiled from a wide range of evidence sources across the Council, including in-year elements and a year-end assessment which includes:
 - a. Completion of Management Assurance Statements by Service Directors and for group entities;
 - b. Completion of Directors Assurance Statements by Corporate Directors;
 - c. Internal documentation and reports;
 - d. Chief Internal Auditor's Annual Report 2020/21 (reported separately to this Committee);
 - e. Findings from internal and external reports (e.g. external audit, OFSTED);
 - f. Follow up of the previous year's AGS Action Plan; and
 - g. Consideration of any matters arising from the public inspection period where the draft Statement of Accounts (including the AGS) was made available.

7. A range of potential issues was identified during the evidence gathering process and was considered by BCP's Corporate Management Board (CMB). CMB recognise whether an issue constitutes a significant governance issue is one of judgement rather than fact, however, the criteria below provides a framework for those judgements:
- a. has/may seriously prejudice or prevent achievement of a principal Council objective or priority;
 - b. has/may result in a need to seek additional funding to allow it to be resolved, or has/may result in a significant diversion of resources from another service area;
 - c. has/may led to a material impact on the accounts;
 - d. has/may attract significant public interest or has/may seriously damage the reputation of the Council;
 - e. has/may be publicly reported by a third party (e.g. Grant Thornton, Ofsted) as a significant governance issue; or
 - f. has/may result in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

AGS Conclusion and areas requiring improvement

8. The AGS concludes that BCP Council **"for the year ended 31st March 2021 and to the date of the publication of the Statement of Accounts, it has effective, fit-for-purpose governance arrangements in place in accordance with the governance framework."**
9. Whilst overall governance arrangements are considered sound, the Council has identified **two significant governance issues** where governance arrangements require strengthening as follows:
- **Governance of Children's Social Services**
 - **Governance Arrangements with External Bodies**
10. Both of these issues were included as significant governance issues in the previous AGS (2019/20). Whilst significant progress has been made to address them, areas for further improvement remain. Therefore, they have been updated to reflect the changes during the year and included again in 2020/21.
11. The two other significant governance issues from 2019/20, adjustments to the Highways Register and omission to make available for public inspection the draft Annual Governance Statement in June 2019 have been implemented and therefore have not been included in the 2020/21 AGS.
12. An action plan to address these issues has been put in place and high-level progress against these actions will be reported to Audit & Governance Committee in January 2022.
13. Of the remaining potential issues considered by CMB, there were others which were either risks or minor weaknesses. Whilst these are not included in the AGS as significant governance issues, actions are in place to manage these areas.
14. As required by best practice, the AGS considers the **impact of Covid-19 on the Council's governance arrangements** and reports on progress towards **compliance with the Financial Management Code (FM Code)**.
15. Whilst no immediate significant governance issues caused directly by the pandemic were identified, the Council is now entering a period of reflection and learning in

relation to its response, led by CMB. Lessons learnt will be built into the future planning cycles and governance arrangements as appropriate.

16. The FM Code provides guidance for good and sustainable financial management, with full of compliance expected from 2021/22. In 2020/21, organisations were expected to demonstrate how they are working towards compliance. Therefore, a self-assessment against the FM Code was undertaken and concluded that BCP Council was largely compliant across all areas. Actions were identified and are in progress to move the Council towards a position of full compliance.

BCP Council – Local Code of Governance

17. The BCP Local Code of Governance (see 3 and Diagram 1) is regularly reviewed to keep it as up to date as practicable. Since the inception of BCP Council, regular revisions have been necessary to reflect the evolution of the Council's governance arrangements. As such, a revised version is attached in Appendix 2 for noting by Audit & Governance Committee. It is anticipated that future revisions will be less frequent.

Options Appraisal

18. An options appraisal is not applicable for this report.

Summary of financial implications

19. The AGS is part of the annual Statement of Accounts and is reviewed by Grant Thornton, the External Auditor, to ensure it is consistent with their understanding of the organisation. Consequently, failure to produce an AGS and / or failure to properly disclose any matter known to the organisation would be reported by Grant Thornton.

Summary of legal implications

20. The Accounts and Audit Regulations 2015 require the Council to produce an AGS. Failure to comply would result in the Council not meeting its statutory requirements.

Summary of human resources implications

21. There are no direct human resources implications from this report.

Summary of sustainability impact

22. There are no direct sustainability impacts from this report.

Summary of public health implications

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

Summary of equality implications

24. In respect of the Local Code of Governance, an Equality Impact Assessment Screening Tool has been completed and reviewed. The Council's equality & diversity policy, supporting equality & diversity governance framework and equality impact assessment processes, which are part of the Local Code of Governance, are in place to ensure and promote positive equality outcomes for everyone.

Summary of risk assessment

25. There is a risk that failure to prepare the Annual Governance Statement in line with proper practice would breach the requirements of the Accounts and Audit Regulations 2015.

26. If timely actions are not taken to address the issues in the Action Plan arising from the AGS, then there is a risk that the Council's governance arrangements may not be adequate or consistent with good practice.

Background papers

None

Appendices

Appendix 1 – BCP Council AGS 2020/21

Appendix 2 – Local Code of Governance (June 2021 update)



**BCP COUNCIL
ANNUAL GOVERNANCE STATEMENT
2020/21**

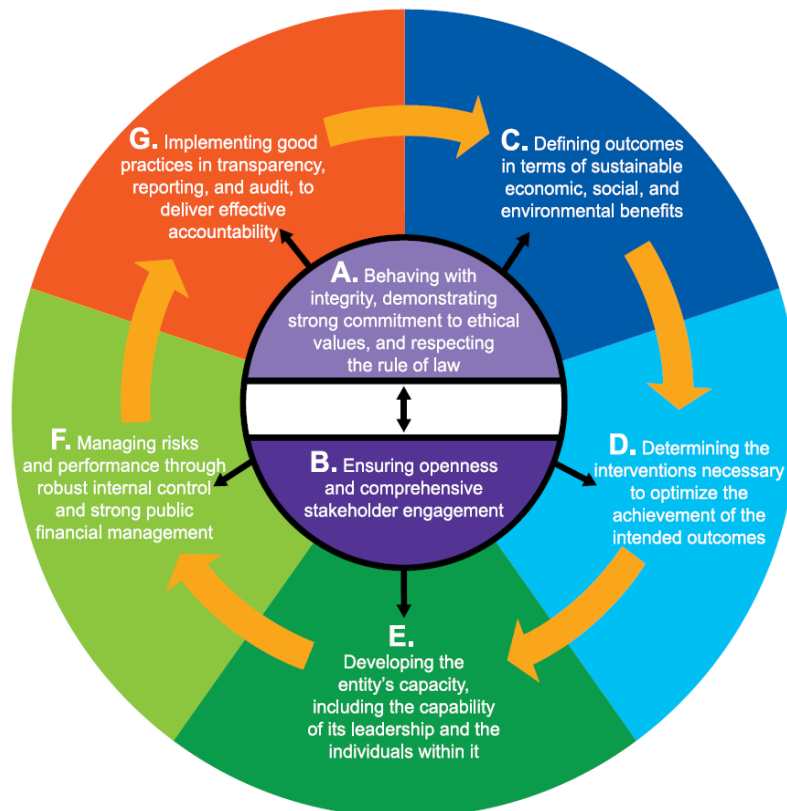
July 2021

Scope of Responsibility

- 1 BCP Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and accounted for and used economically, efficiently and effectively.
- 2 In discharging this overall responsibility, BCP Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and arranging for the management of risk.
- 3 To this end, BCP Council has adopted a Local Code of Governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of this Code is available on the [Council's website](#).
- 4 The Annual Governance Statement (AGS) explains how BCP Council complied with the Code and met the requirements of the Accounts and Audit Regulations 2015 (and as amended by the Accounts and Audit (Amendment) Regulations 2021) in relation to its preparation, approval and publication.

The Purpose of the Governance Framework

- 5 The governance framework comprises of the systems and processes, culture and values by which the authority is directed and controlled, and by which it accounts to, engages with and lead its communities. It includes arrangements to monitor the achievement of its strategic objectives and to consider whether those objectives led to the delivery of appropriate services and value for money.
- 6 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It does not eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives; to evaluate the likelihood and potential impact of those risks being realised; and to manage them efficiently, effectively and economically.
- 7 The key elements of the Council's governance framework are identified in the [Local Code of Governance](#) which is consistent with the seven best practice principles of the *International Framework: Good Governance in the Public Sector* (CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*) as shown in the diagram below.



- 8 BCP Council's governance framework was in place for the year ended 31st March 2021 and up to the date of the approval of the Statement of Accounts.

Review of Effectiveness of the Governance Framework

- 9 BCP Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including how it meets the principles above and the effectiveness of the system of internal control. The AGS is the method by which we record this review. The AGS also includes the Council's group entities as identified in its Statement of Accounts.
- 10 The review considers both in-year, continuous elements and year-end review processes to consider its effectiveness.
- 11 Many of the elements identified in the Local Code of Governance provided on-going review of the effectiveness of the governance framework during the 2020/21 financial year including:
- Democratic processes, such as Full Council, Cabinet, Overview and Scrutiny functions, which operated in line with the Council's Constitution
 - The Audit & Governance Committee which provided independent assurance to the Council on the effectiveness of governance arrangements, risk management and the internal control environment
 - Established arrangements for senior officers to meet as part of Corporate Management Board, Transformation Board and Directors Strategy Group

- Statutory Officers Group, comprising of the Chief Executive, Monitoring Officer and Chief Financial Officer, which met regularly throughout the year. The Head of Audit & Management Assurance also attended these meetings
 - The role of the Chief Financial Officer (CFO) in terms of non-statutory codified professional practice, legislative and statutory responsibilities, and corporate governance requirements is set out in the Council's Constitution. The Council's financial management arrangements conformed to the governance requirements of the CIPFA Statement of the Role of the Chief Financial Officer in Local Government (2016). The Director of Finance is designated as the Council's CFO
 - The Council's assurance arrangements also conformed to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019). The Head of Audit & Management Assurance was designated as the Council's Head of Internal Audit
 - The Director of Law & Governance has been designated as the Monitoring Officer, whose functions include a duty to keep under review the operation of the Constitution to ensure it is lawful, up to date and fit for purpose
 - Review of and changes to the Constitution following the work of the Constitution Review Working Group and Monitoring Officer
 - The Council reached a good level of performance against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. This means the organisation has put in place effective arrangements across many aspects of the counter-fraud code and undertook positive action to manage its risks
 - Internal Audit, who provided an independent appraisal function and assurance on the adequacy of internal controls and of risks to the Council's functions and systems
 - External reviews and inspections, the results of which are reported and acted upon as appropriate. This included, for example, the focused Ofsted visit to Children's Services in October 2020
 - Regular scrutiny of financial monitoring reports by Councillors and Officers.
- 12 A year-end assessment of the effectiveness of the governance arrangements was undertaken, using sources of evidence including:
- Completion of Management Assurance Statements by all Service Directors and for group entities
 - Completion of Directors Assurance Statements by Corporate Directors
 - Internal Audit documentation and reports
 - Chief Internal Auditor's Annual Report
 - Findings from internal and external reports
 - Follow up of the 2019/20 AGS action plan

Covid-19 – Impact of Pandemic on the Governance Framework

- 13 The Covid-19 pandemic presented immediate, significant and wide-ranging challenges for BCP Council to support its community and maintain essential services

in unprecedented circumstances. Specific Covid-19 initiatives and responses were enacted, including the following:

- the #TogetherWeCan initiative provided a helpline, volunteers, food parcels and support to the vulnerable in our communities
 - delivery of PPE to health and social care services
 - support to NHS colleagues with setting up Covid-19 testing centres and a major vaccination centre, and
 - the processing of £millions in business grants and financial support for local companies.
- 14 Frontline teams, such as social care, refuse and street cleansing, parks and seafront, environmental health and enforcement, actively supported measures to keep individuals and the community safe. Council services very quickly adapted their ways of working to ensure continued safe delivery of services, such as the implementation of online library services and online exercise classes offered through our leisure centres. In addition, over 5,000 staff worked from home or from active front-line services.
- 15 Whilst this impacted on business as usual, with performance adversely affected in a range of areas, particularly those dependant on public access, such as libraries and museums, the Council continued to deliver its services and meet its statutory requirements to a significant degree.
- 16 During the year, the financial position of the Council was significantly impacted, both through the immediate impact of lost income in customer facing charged-for services such as car-parking and by significant additional costs incurred in responding to the pandemic. However, governance was in place to manage the budget position, through close monitoring and scrutiny, and communication and updates to Senior Management, Councillors and Committees. Government support is reflected in the year end budget position.
- 17 The Council took swift action to ensure fit for purpose governance arrangements were put in place to manage the challenges of the pandemic. A 'Corporate Incident Management Team' (CIMT), comprising of the Council's most senior officers and attended by the Leader of the Council (or representative) was 'stood up' in March 2020. Written decision records were maintained for all key decisions taken and CIMT quickly became the location for co-ordinating Council-wide changes to services. CIMT meeting frequency varied during the pandemic as was required to keep the Council operating fully. It met daily where the presenting risks required it, to three times a week, then weekly and subsequently to once a fortnight. CIMT was 'stood down' in April 2021 and Covid-19 decision making reverted to match normal service decision-making governance.
- 18 Corporate Management Board's (CMB) 'business as usual' governance arrangements were largely able to continue throughout the year.
- 19 For decisions that needed to be taken by Councillors, some Committee meetings were cancelled or postponed in the immediate lockdown period, and then virtual meetings were held throughout the remainder of the year in line with legislation. There were some impacts, such as the level of formal Councillor scrutiny of adult

social care, public health and the NHS, and the frequency with which the Appeals and Standards Committees were able to meet.

- 20 Some governance boards, such as the Information Governance Board, were not able to meet as frequently during the pandemic. Staff redirection in the immediate response phase to the pandemic resulted in some capacity issues, which delayed planned improvements in some areas and impacted some business as usual activity such as timely processing of complaints and undertaking mandatory training.
- 21 In response to the financial constraints caused largely by the pandemic, the Council's Transformation Programme has been brought forward to deliver the large-scale savings required. Other significant projects, such as the Transforming Cities Fund, have continued to be delivered during the pandemic.
- 22 Whilst no immediate significant governance issues which were caused directly by the pandemic have been identified, the Council is now entering a period of reflection and learning in relation to its response, led by CMB. Lessons learnt will be built into the future planning cycles and governance arrangements as appropriate.
- 23 The impact of COVID-19 on all the public services has been considerable and for internal auditors it has raised the question of whether they will be able to undertake sufficient internal audit work to gain assurance during 2020/21. This is a key consideration to fulfil the requirement of the Public Sector Internal Audit Standards (PSIAS) for the Head of Internal Audit (HIA) to issue an annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This opinion is in turn one of the sources of assurance that the public body relies on for its annual governance statement.
- 24 The HIA at BCP Council is content that the internal audit team have undertaken sufficient internal audit work during 2020/21 to issue a positive opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control in BCP Council. Consequently, no limitation of scope statement is required as part of the HIA's annual report (which will be presented to Audit & Governance Committee in July 2021).

Financial Management Code

- 25 The Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities to provide assurance that authorities are managing resources effectively. Whilst the first full year of compliance is 2021/22, organisations were expected to use 2020/21 to demonstrate how they are working towards compliance, and report progress in the AGS.
- 26 To this end, a self-assessment against the FM Code was carried out by senior finance officers, including the Chief Financial Officer, for the 2020/21 financial year. The self-assessment will be independently reviewed by Internal Audit during 2021/22. A Local Government Association peer review which will include finance and financial planning is also planned during the year. The results of the self-assessment will be reported to CMB and Audit & Governance Committee in the autumn.
- 27 The self-assessment concluded that BCP Council was largely compliant across all areas of the FM Code. The following issues and preliminary actions were identified,

which will be formalised into an action plan by CMB to include lead officers and target dates. Nonetheless, actions are already in progress, including through the Council's Transformation Programme. The action plan will be monitored through a monthly financial service senior management team meeting, and an update will be brought to Audit & Governance Committee via the AGS follow up process.

28 FM Preliminary Findings and Actions following Self-Assessment

	Issue	Recommendation
1	The children's services capital strategy is under-developed with no new projects included in the 2021/22 programme and a residual programme of less than £1million in future years.	A children's services capital strategy and detailed plan to be prepared - aiming for Cabinet in July 2021 and going forward to be refreshed annually as part of the February budget report.
2	An analysis of the overall capital requirements of the council's estate is not yet in place to inform a capital strategy or estate management arrangements. This is in progress supported by consultants.	The physical estate needed to support future service delivery and corporate objectives should be established alongside future estate management arrangements to determine an appropriate corporate landlord model for the council. Capital strategy to be informed by the review.
3	The council involves a range of stakeholders in setting the annual budget, this includes specific consultation on service-based savings plans but not general consultation with residents.	Consideration of whether the budget process would be enhanced by any additional consultation processes.
4	There is little regular reporting of balance sheet items to Corporate Management Board (CMB), other than the level of projected reserves and transformation costs in quarterly Cabinet reports. Other items are monitored through monthly budget overview meetings with the chief executive and leader of the council.	Determine if further balance sheet and other items (e.g. procurements undertaken) should be monitored by CMB.
5	The detail of fixed assets for accounting purposes is maintained on spreadsheets with the inherent risk of data corruption or loss going undetected with little system reliance. There is no link with the subsidiary systems that provide other asset management information.	The main accounting systems, including for fixed asset recording, is an early work package for the strategic investment partner and will take time to implement.

Evaluation, Conclusion and Significant Governance Issues

- 29 Following review and evaluation of governance arrangements, BCP Council considers that, **for the year ended 31st March 2021 and to the date of the publication of the Statement of Accounts, it has effective, fit-for-purpose governance arrangements in place in accordance with the governance framework.**
- 30 The Council's Corporate Management Board (CMB) considered the effectiveness of the governance arrangements, including potential significant governance issues arising from the review, using the following criteria as a guide:
- a) The governance issue may, or has, seriously prejudice/d or prevent/ed achievement of a principal Council objective or priority;
 - b) The governance issue may, or has, result/ed in a need to seek additional funding to allow it to be resolved, or may, or has, result/ed in a significant diversion of resources from another service area;
 - c) The governance issue may, or has, led to a material impact on the accounts;
 - d) The impact of the governance issue may, or has, attract/ed significant public interest or seriously damage/ed the reputation of the Council;
 - e) The governance issue may, or has, be/en publicly reported by a third party (e.g. external audit, Information Commissioner's Office) as a significant governance issue;
 - f) The governance issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.
- 31 No new significant governance issues were identified for the 2020/21 AGS. However, BCP Council is committed to continual improvement of its governance arrangements. As part of its established management processes, such as financial and performance monitoring, risk management and internal audit, a number of governance issues have been identified during the year. These included, for example, low take-up of mandatory training and required improvements to health and safety and fire safety, and actions to address these are in place and actively monitored. CMB did not consider these issues to meet the level of significance required for inclusion on the AGS and are satisfied that the necessary actions being taken to address them.
- 32 The 2019/20 AGS identified four significant governance issues as outlined below, for which an action plan was produced and monitored. A detailed follow up report was presented to the Audit & Governance Committee in April 2021.

- 33 It is considered that two of the four are resolved, with the remaining two being included again in the 2020/21 AGS, as shown on the table below:

2019/20 Significant Governance Issue	Progress
Adjustments to the Highways Register	Implemented – the governance issues had been fully addressed ahead of the publication of the 2019/20 AGS, and therefore no further actions were incorporated into the Action Plan. Arrangements are now in place to prevent recurrence. No further incidents have occurred.
Omission to make available for public inspection the draft Annual Governance Statement in June 2019	Implemented – the governance issues had been fully addressed ahead of the publication of the 2019/20AGS, and therefore no further actions were incorporated into the Action Plan. The 2019/20 AGS was made available for public inspection. Future AGS will also be made available as required.
Governance of Children's Social Services	Remain on AGS 2020/21 - Significant improvements have been made over the year, including in response to the Ofsted focused visit to Children's Services in October 2020. However, some governance concerns still remain – see Table 1 below.
Governance Arrangements with Key Partners, Wholly Owned Companies, Trusts, and Contractors	Remain on AGS 2020/21 - Significant process has been made against enhancing governance arrangements with external organisations, both corporately and with individual organisations. However, some governance issues remain and is shown in Table 1 below as "Arrangements with External Bodies".

- 34 Whilst significant progress has been made to address the remaining two significant governance issues from 2019/20, some governance concerns remain. These have been updated to reflect the changes during the year and are shown in Table 1 below, along with an updated action plan to address remaining issues.

Table 1 - 'Significant Governance Issues' and Action Plan

1	Governance of Children's Social Services		
	<p>A focused visit to Children's Services made by Ofsted in October 2020 resulted in a formal published letter sent on 27 November 2020. This set out serious concerns about the quality of services, which warranted urgent and immediate attention. These included governance related concerns, with the failures mostly in leadership and management.</p> <p>In response, a 15-point Action Plan has been produced, which contains all the areas for improvement needed for the service to reach the level required by the full ILACS (inspection of local authority children's services) by Ofsted. The Action Plan is rigorously monitored by the Department for Education Children's Services Improvement Advisor holding Children's Services leadership to account. The midway review of progress was carried out in April 2021 to benchmark the progress made to date. Satisfactory progress was made across all areas. In particular, the building blocks for sustainable change are now in place to improve the lived experience of children, young people and their families. The previous Learning Improvement Plan, and any outstanding issues, have been superseded by the above Action Plan.</p> <p>Delivery of the action plan has a robust governance structure. A Children's Services Improvement Board was set up, chaired by the DfE Children's Services Improvement Adviser. The Board meets six-weekly. The Leader of the Council, the two relevant Cabinet members, the Chief Executive, the interim Director of Children's Services, a DfE representative, the LGA-appointed chair of the SEND Improvement Board and BCP's Director of Finance are core members. Group Leaders are briefed regularly, and Children's Overview and Scrutiny receive regular reports.</p> <p>All services are showing improvement, monitored through performance data and evidence-based Practice Learning Reviews (audits) to ensure progress is being made with pace and purpose. Improvements in the weakest services correlated directly with the appointment of new interim managers who are highly experienced in running these services and who know from experience how to improve them. Step changes in performance can be seen in the multi-agency safeguarding hub (MASH): in court work and in performance planning for children in care or on the edge of care; and in the timeliness of assessments.</p> <p>Significant improvements have been since the Ofsted focused visit, which were acknowledged by Ofsted in the 'Annual Conversation' held in April 2021. They also recognised, as does BCP Council, that further improvements at pace are still required, including changes to culture.</p>		
	Action Points	Responsible Officer	Target Date
	Delivery of the Action Plan (as detailed above)	Corporate Director – Children's Services	As per Action Plan
2	Governance Arrangements with External Bodies <p>In the 2019/20 AGS, BCP Council recognised that it needed to ensure that its governance arrangements with the organisations it engages with are sufficiently robust and fit for purpose, and this was reflected in the action plan. Significant work has been undertaken to improve overarching governance and to review and strengthen arrangements with external bodies over the year. This has included strengthening the BH Live contract management and</p>		

governance arrangements, including strategic, operational and financial, operating in line with agreed frequencies. Substantial progress has been made to enhance the governance in the housing companies, including the agreement to appoint a permanent company secretary. Plans to externalise the Russell Cotes Museum into a separate charity are now well underway. Corporately, a comprehensive review of the BCP Council Constitution has started which will include the Officer/Member Protocol and the Monitoring Officer has delivered training covering governance and decision-making to Councillors. The Audit & Governance Committee have received presentations on the governance arrangements for trusts, companies and charities. However, the Council has identified specific areas in which it needs to further strengthen its arrangements, and work is in progress to improve the following:

- a) **Parks, charities and trusts** (including Five Parks Trust, Lower Central Gardens Trust and Parks Foundation Limited) – progress in implementing previous recommendations has been slower than anticipated, due to the role of the service in responding to the management of excess deaths and support to the Coroners and Bereavement functions during the pandemic. Governance concerns remain, such as the Lower Gardens Trust which has not held a Board meeting since 2019. Initial discussions regarding a review of governance have been held with Legal.
- b) **Partnerships** – whilst local partnership registers are largely in place, there is no BCP Corporate Partnership Register. However, work is underway to compile one. Whilst arrangements are in place for some individual partnerships, there is no corporate oversight of the arrangements, nor any guidance (other than that in the Financial Regulations) for best practice in managing partnerships, including governance arrangements.

Action Points	Responsible Officer	Target Date
1. Parks, charities and trusts a) Outline presentation to Audit & Governance Committee in June 2021 b) Internal Audit requested by the Service Director to be undertaken by end July 2021 with action to be delivered by March 2022 c) Parks Trust arrangements to be reviewed to achieve consistency and meet all relevant governance requirements	Chief Operations Officer Director – Environment Chief Operations Officer & Monitoring Officer	30/6/21 31/7/21 31/3/22
2. Partnerships a) The Corporate Partnership Register is completed b) Corporate oversight of partnerships is established, including use of the Partnership Register c) Corporate partnership guidance is produced to supplement Financial Regulations, which can also be used for compliance purposes	Head of Policy & Performance Management Chief Executive Head of Policy & Performance Management	30/9/21 30/9/21 31/12/21

This statement explains how BCP Council has complied with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* and also meets the requirements of the Accounts and Audit Regulations 2015.

We have been advised on the implications of the results of the review of the effectiveness of the governance framework by the Audit & Governance Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

G Farrant - Chief Executive of BCP Council

Date

Drew Mellor - Leader of BCP Council

Date



LOCAL CODE OF GOVERNANCE

Finance

Author: Ruth Hodges
Date: 16th June 2021

Document Control

Policy title	Local Code of Governance
Policy owner	Head of Audit & Management Assurance
Effective from date	1 st April 2019
Current version	V2.4
Approval body	Audit & Governance Committee
Approval date	29/7/21
Review frequency	Annually
Next review due	June 2022

Revision History

Date	Version	Significant Changes
February 2019	v1	New Policy created
October 2019	V2.2	Update to reflect the rapid changes in the new BCP Council and add in Section 6
November 2020	V2.3	Update to reflect ongoing changes in BCP Council governance framework
June 2021	V2.4	Update to reflect ongoing changes in BCP Council governance framework; Three Lines Model updated in line with best practice

Minor Amendments and Editing Log

The Head of Audit & Management Assurance has primary responsibility for maintaining the Local Code of Governance. It is recognised there may be a need to clarify or update certain elements of the Local Code of Governance from time to time; this may require minor amendments or editing. Minor amendments and editing changes will be made by the Head of Audit & Management Assurance, and these will be logged in the table below. The Local Code of Governance is presented to Audit & Governance Committee annually.

Date	Description of amendments or editing	Page
-	-	-

Equalities Impact Assessment

Assessment date	9/7/21. The council's equality & diversity policy, supporting equality & diversity governance framework and equality impact assessment processes, which are part of the Local Code of Governance, are in place to ensure and promote positive equality outcomes for everyone.
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1. Introduction

- 1.1 The Local Code of Governance demonstrates BCP Council's commitment to the highest standards of corporate governance. The Local Code sets out its governance arrangements in relation to the seven best practice principles in the CIPFA/IFAC 'International Framework: Good Governance in the Public Sector' (see Section 4) and as required by the CIPFA/SOLACE Delivering Good Governance in Local Government Framework.

1. What is Corporate Governance?

- 2.1 Corporate governance comprises of the arrangements put in place to ensure that the intended outcomes for service users and stakeholders are defined and achieved, while acting in the public interest at all times. It is about doing the right things, in the right way, for the right people, in a timely, inclusive, open, transparent, honest and accountable manner.

3. Responsibilities for Corporate Governance

- 3.1 All councillors and officers have a responsibility for upholding the principles of good governance. It is a key responsibility for the Leader of the Council and the Chief Executive.
- 3.2 The Statutory Officers Group, comprising of the Monitoring Officer, the Chief Financial Officer and the Chief Executive are responsible for the development, delivery and review of robust corporate governance arrangements.
- 3.3 The Audit & Governance Committee has responsibility for monitoring and reviewing the Council's corporate governance arrangements.
- 3.4 The Chief Auditor produces an Annual Report to Audit & Governance Committee on the adequacy and effectiveness of the Council's systems of internal control.
- 3.5 The Annual Governance Statement is produced following a review of the effectiveness of the Council's corporate governance arrangements, as outlined in this Code. Any significant governance weaknesses are highlighted, and an action plan produced to address these issues, and monitored by the Audit & Governance Committee.

4 The Governance Framework

- 4.1 The diagram below, taken from the International Framework: Good Governance in the Public Sector, illustrates the various principles of good governance in the public sector and how they relate to each other.

**“Achieving the Intended Outcomes while acting in the
Public Interest at all times”**



- 4.2 BCP Council's Local Code of Governance is based on this framework, and the table in section 5 demonstrates the Council's governance arrangements in relation to it.

5 How BCP meets the Principles of Good Governance

BCP has strong governance arrangements across the organisation. In a small minority of cases, specific legacy or hybrid arrangements apply.

Principles of Good Governance	How we meet these Principles
(A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	The Constitution (which is reviewed by the Constitution Review Working Group)
	Member Code of Conduct
	Member-Member, and Member-Officer Protocols
	Decision making process for Committees and Members
	Committee forward plans, agendas, reports (including legal, financial, equalities and risk impact) and minutes (showing decisions taken and declaration of interests)
	Full Council and Cabinet
	Standards Committee
	Audit & Governance Committee
	Overview and Scrutiny Committee/s
	Member Registers of Interests and Registers of Gifts and Hospitality
	Member induction programmes and training plans
	Financial Regulations
	Statutory officers (including Monitoring Officer and Chief Financial Officer) fulfil duties in line with regulatory requirements, and who meet as the Statutory Officers Group
	Officer Code of Conduct
	Officer induction programmes
	Mandatory learning including equality and fraud
	Officer Declaration of Interests, Gifts and Hospitality Policy
	Scheme of Delegations to Officers
	Decision making process for Officers
	Record of Officer decisions
	Record of Chief Executive's Delegated Authority decisions
	Officer Performance Reviews
	Corporate Complaints Procedure
	Equality and Diversity Policy and Governance Framework
	Recruitment and Selection Policy

	Anti-Fraud and Corruption Policy
	Whistleblowing Policy
	Compliance with CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption
	Contractual arrangements
	Partnership Registers / Partnership Agreements
	Corporate Values
	Staff Surveys
	Local Plan Local Development Scheme
	Council People Strategy
	Council Operating Model
	Agreements with subsidiaries, partners, ALMO and external providers

(B) Ensuring openness and comprehensive stakeholder engagement	Multi-channel public communications, including: email newsletters, BCP website, magazines, Facebook and Twitter
	Local Transparency Code, proactive publication and reporting
	Online Council Tax information
	Corporate Strategy & Delivery Plan
	Decision making process for Committees and Members
	Committee forward plans, agendas, reports (including legal, financial, equalities and risk impact) and minutes (showing decisions taken and declaration of interests)
	Record of Officer decisions
	Record of Chief Executive's Delegated Authority decisions
	Corporate Complaints Procedure
	Social Care Statutory Complaints Procedure
	Public/residential surveys, including online
	Key national data. e.g. the Census and Indices of Deprivation
	Joint Strategic Needs Assessment
	Consultation Planning and Guidance
	<ul style="list-style-type: none"> - Public and officer consultations - Staff surveys - Local Forums
	Internal Communications Strategy
	Media Relations Protocol
	Branding Guidelines
	Social Media Policy
	Partnership Registers / Partnership Agreements
	Neighbourhood Plans
	Statement of Community Involvement

(C) Defining outcomes in terms of sustainable economic, social, and environmental benefits	Corporate Strategy & Delivery Plan
	Medium Term Financial Plan process
	Performance Monitoring Framework
	<ul style="list-style-type: none"> - Service business and action plans - Service performance monitoring - Corporate performance monitoring
	Joint Strategic Needs Assessment
	Consultation Planning and Guidance
	<ul style="list-style-type: none"> - Public and officer consultations - Staff surveys - Local Forums
	Risk Management Framework
	Capital Investment Strategy (Non-Treasury) 2019-2022
	Investment Strategy
	Decision making process for Committees and Members
	Committee forward plans, agendas, reports (including legal, financial, equalities and risk impact) and minutes (showing decisions taken and declaration of interests)
	Record of Officer decisions
	Record of Chief Executive's Delegated Authority decisions
	Equality and Diversity Policy and Governance Framework
	Corporate Management Board
	Directors Strategy Group
	Capital Programme Board
	Transformation Board
	Operational governance groups: <ul style="list-style-type: none"> - Corporate Property Group - Asset Investment Panel
	Local Plan
	Contractual arrangements
	Partnership Registers / Partnership Agreements

(D) Determining the interventions necessary to optimise the achievement of the intended outcomes	Decision making process for Committees and Members
	Committee forward plans, agendas, reports (including legal, financial, equalities and risk impact) and minutes (showing decisions taken and declaration of interests)
	Record of Officer decisions
	Record of Chief Executive's Delegated Authority decisions
	Performance Monitoring Framework
	<ul style="list-style-type: none"> - Service business and action plans - Service performance monitoring - Corporate performance monitoring
	Medium Term Financial Plan process
	Risk Management Framework
	Corporate Strategy & Delivery Plans
	"Our Big Plan"
	Benchmarking and research, including CFO Insights VFM Tool
	Capital Investment Strategy (Non-Treasury) 2019-2022
	Youth Justice Plan
	Council Safeguarding Strategy
	Pan-Dorset Safeguarding Children Partnership
	Transforming the Council
	Equality Impact Assessment (EIA) Panels and EIA processes
	Corporate Parenting Board
	Health & Wellbeing Board

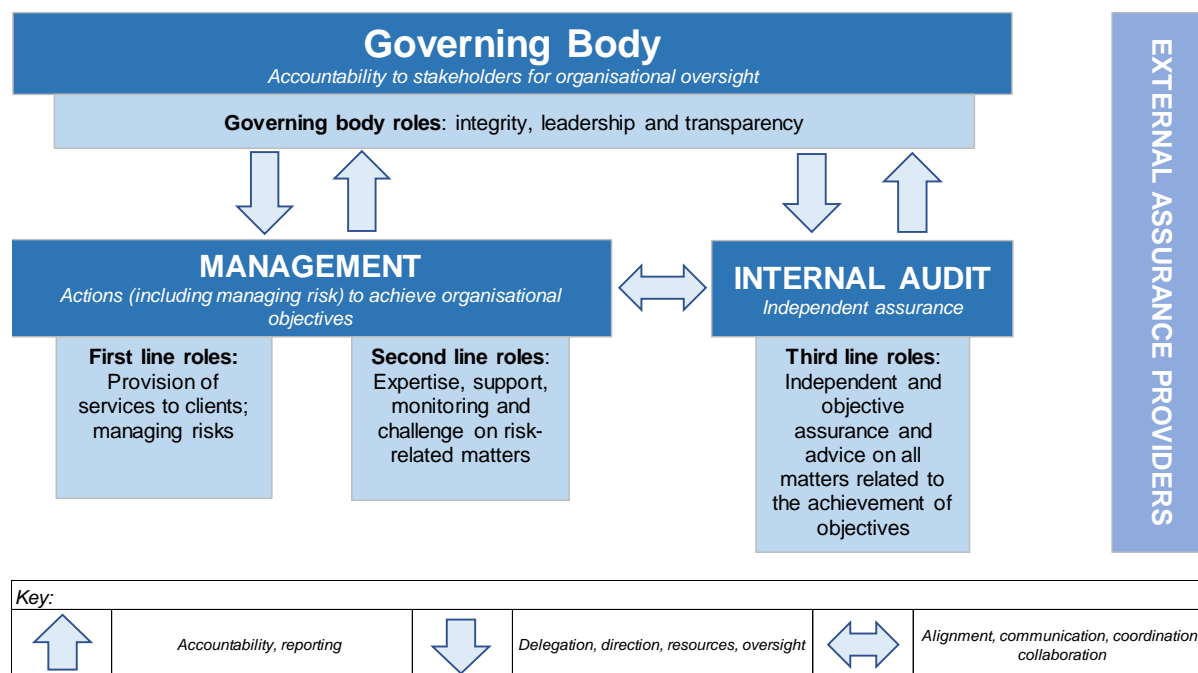
(E) Developing the entity's capacity, including the capability of its leadership and the individuals within it	Performance Monitoring Framework
	<ul style="list-style-type: none"> - Service business and action plans - Service performance monitoring - Corporate performance monitoring
	Benchmarking and research, including CFO Insights VFM Tool
	People Strategy
	Job descriptions for all employees
	Roles of Cabinet, individual Cabinet Members and all other Members and Committees defined
	Roles of statutory officers (Chief Executive, Chief Financial Officer and Monitoring Officer) and other senior officers defined
	Member-Member, and Member-Officer Protocols
	Scheme of Delegations to Officers
	The Constitution
	Member induction programmes and training plans
	Officer induction programmes
	Mandatory learning including equality and fraud
	Officer Performance Reviews
	Standards Committee
	Councillor Development Framework
	Public/residential surveys, including online
	Key national data. e.g. the Census and Indices of Deprivation
	Joint Strategic Needs Assessment
	Consultation Planning and Guidance
	<ul style="list-style-type: none"> - Public and officer consultations - Staff surveys - Local Forums
	Corporate and HR policies and procedures, including those to support health and wellbeing
	ICT guidance and processes
	Peer Reviews and Inspections
	Smarter Structures Programme
	People Strategy
	Pay and Reward including Terms and Conditions
	Workforce Strategy for Children's Services

(F) Managing risks and performance through robust internal control and strong public financial management	Risk Management Framework
	Performance Monitoring Framework
	<ul style="list-style-type: none"> - Service business and action plans - Service performance monitoring - Corporate performance monitoring
	Corporate Complaints Procedure
	Benchmarking and research, including CFO Insights VFM Tool
	Overview and Scrutiny Committee/s
	Internal Audit Charter operating to Public Sector Internal Audit Standards
	Risk-Based Annual Audit Plan and Key Assurance Work
	Chief Auditors Annual Report
	Anti-Fraud and Corruption Policy
	Whistleblowing Policy
	Compliance with CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption
	Annual Governance Statement
	Audit & Governance Committee
	Information Governance Accountability Framework
	Medium Term Financial Plan process
	Financial Regulations
	Regular scrutiny of financial monitoring reports by Councillors and Officers
	Corporate Strategy & Delivery Plan
	Treasury Management Strategy
	Decision making process for Committees and Members
	Committee forward plans, agendas, reports (including legal, financial, equalities and risk impact) and minutes (showing decisions taken and declaration of interests)
	Record of Officer decisions
	Equality Impact Assessment (EIA) Panels and EIA processes
	Record of Chief Executive's Delegated Authority decisions
	Corporate and HR policies and procedures
	Health & Safety Policy / Fire Safety Policy
	Emergency planning and resilience and arrangements (corporate)
	Compliance with the Statement of the Role of the Chief Financial Officer in Local Government

(G) Implementing good practices in transparency, reporting, and audit to deliver effective accountability	Multi-channel public communications, including: email newsletters, BCP website, magazines, Facebook and Twitter
	Local Transparency Code, proactive publication and reporting
	Annual Financial Statements
	External audit reports: Audit Findings Report, Annual Audit Letter and Certification Report
	External reviews, including Ofsted and Peer Reviews
	Annual Governance Statement
	Internal Audit Function operating to Public Sector Internal Audit Standards
	Risk-Based Annual Audit Plan and Key Assurance Work
	Internal Audit recommendation implementation reported to Audit & Governance Committee
	Compliance with CIPFA's Statement on the Role of the Head of Internal Audit
	Partnership Registers / Partnership Agreements

6 How BCP ensures Good Governance is delivered in practice

6.1 The Three Lines model is widely recognised across both the public and private sectors as a best practice approach to implementing effective risk management and corporate governance. It is designed to provide organisations with resilience in these areas, with each Line complementing the others, as summarised below:



First Line: The First Line is responsible for the implementation of risk management and governance processes within the organisation. In BCP this is the responsibility of Management of all levels across all Services in the organisation.

Second Line: The Second Line is responsible for the provision of advice, guidance and policy in support of risk management and governance processes. This Line is also responsible for monitoring compliance with risk and governance requirements by services in the First Line. Typically, this role is fulfilled by corporate functions with defined governance and policy remits, for example:

- Emergency Planning
- Health and Safety
- Human Resources
- Information Governance
- Procurement
- Risk Management

Where there is no clear corporate function with responsibility for compliance, Corporate Management Board will pragmatically determine the need for this and who will act as the Second Line in a proportionate response to the scope and remit of the function.

Third Line: The Third Line is responsible for providing independent assurance to Senior Management and Members on the effectiveness of the first two lines. In BCP this is the responsibility of the Internal Audit Service.

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AUDIT AND GOVERNANCE COMMITTEE

Report subject	Internal Audit - Quarterly Audit Plan Update (Quarter 1) 2021/22
Meeting date	29 July 2021
Status	Public Report
Executive summary	<p>This report details progress made on delivery of the 2021/22 Audit Plan for the period April to June (inclusive) 2021. The report highlights that:</p> <ul style="list-style-type: none"> • Three audit assignments have been completed (two 'Reasonable' and one 'Partial' audit opinions); • Sixteen audit assignments are in progress; • Implementation of audit recommendations is satisfactory; • A significant amount of work undertaken during the quarter related to completion of the 2020/21 Audit Plan. The 'Chief Auditor's Annual Report 2020/21' contains the outcome of this work which is being reported separately to this committee
Recommendations	<p>It is RECOMMENDED that:</p> <p>Audit & Governance Committee are asked to note progress made and issues arising on the delivery of the 2021/22 Internal Audit Plan.</p>
Reason for recommendations	<p>To communicate progress on the delivery of the 2021/22 Internal Audit Plan.</p> <p>To ensure Audit & Governance Committee are fully informed of the significant issues arising from the work of Internal Audit during the quarter.</p>
Portfolio Holder(s):	Cllr Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
Report Authors	<p>Nigel Stannard Head of Audit & Management Assurance ☎01202 128784 ✉ nigel.stannard@bcpcouncil.gov.uk</p>
Wards	Council-wide
Classification	For Decision and Information

Background

1. This report details Internal Audit's progress against the 2021/22 Audit Plan for the period April 2021 to June 2021 inclusive and reports the audit opinion of the assignments completed during this period.
2. The report also provides an update on any significant issues arising and implementation of internal audit recommendations by management.

Delivery of the 2021/22 Internal Audit Plan – Quarter 1 review

3. Three audit assignments have been fully completed in this quarter of 2021/22 (Apr-Jun 21) as outlined below.

2021/22 Audits Completed

	Service Area	Audit	Assurance Opinion	Recommendations		
				High	Med	Low
1	Planning	Community Infrastructure Levy*	Partial	2	6	1
2	Law & Governance	Plan & Deliver Marriage & Civil Ceremonies	Reasonable	0	6	1
3	Adult Social Care Commissioning	Better Care Fund	Reasonable	2	1	1
Total Recommendations				4	13	3

*This audit is subject to final agreement with management

Key:

- **Substantial Assurance** - There is a sound control framework which is designed to achieve the service objectives, with key controls being consistently applied.
- **Reasonable Assurance** - Whilst there is basically a sound control framework, there are some weaknesses which may put service objectives at risk.
- **Partial Assurance** - There are weaknesses in the control framework which are putting service objectives at risk.
- **Minimal Assurance** - The control framework is generally poor and as such service objectives are at significant risk.

4. There was one 'Partial' assurance audit report issued during the quarter:

(1) Planning - Community Infrastructure Levy

Nine recommendations (1 high, 7 medium, 1 low priority) were made in this Audit Report which was given a 'Partial Assurance' audit opinion. The following issues were found:

- No management oversight to ensure CIL liability assessments are completed, invoices raised and coded correctly (High Priority)
- No formal decision-making process covering all aspects of CIL expenditure, or a policy detailing how CIL funds are apportioned and allocated (High Priority)
- Ongoing use of legacy CIL operational procedures in Poole, absence of procedures for both Bournemouth and Christchurch (Medium Priority)
- Lack of documented processes for the application and monitoring of surcharges covering all council areas, lack of Enforcement escalation process, site visits undertaken by Contributions Team officers (Medium Priority)
- Lack of operational management for the Contributions Team (Medium Priority)
- Interest is not charged on late payment in Bournemouth or Christchurch (Medium Priority)
- Infrastructure Funding Statement does not include detailed future spending priorities (Medium Priority)
- Administration Fund does not currently cover all aspects of CIL management and operational cost (Medium Priority)

Recommendations to address the issues have all been agreed with management

5. There were no 'Minimal' assurance audit reports issued during the quarter. The status of other audits in progress (Apr-Jun 2021) is outlined below:

2021/22 Audits In Progress

	Service Area	Audit	Progress
1	Communication, Marketing & Strategy	Contract Registers	Draft Report
2	Communities	Partnerships	Draft Report
3	Children's Services	Non Mosaic System Payments (20/21/22)	Fieldwork
4	Adult Social Care	Infection Control Grant (20/21/22 audit)	Fieldwork
5	Adult Social Care Commissioning	Joint Funding to Support Hospital Discharge	Fieldwork
6	Environment	Parks Trusts & Partnerships	Fieldwork
7	Finance	Contractor Selection & Payments (counter fraud)	Fieldwork
8	HR & Organisational Development	Pre-Employment Checks (counter fraud)	Fieldwork
9	Transport & Engineering	Project & Programme Management	Fieldwork
10	Public Health	Value for Money Project Review	Scoping
11	Housing	Partnerships	Scoping
12	Destination & Culture	Asset Management	Scoping
13	Development	Discretionary Grants	Scoping
14	Finance	Creditors	Scoping
15	Finance	Treasury Management	Scoping
16	Law & Governance	Legal Case Management System	Scoping

Significant Issues Arising and Other Work

6. A significant amount of work undertaken during the quarter related to completion of the 2020/21 Audit Plan. The 'Chief Auditor's Annual Report 2020/21' contains the outcome of this work is being reported separately to this committee.
7. Assurance work, including post payment validation, is continuing to take place on Covid-19 grants as required by government guidance or requirements. This work has included the use of government promoted tools e.g. Spotlight for business trading status and the National Fraud Initiative for bank account validation and trading status. Work during the quarter has focused on 'Restart Business Grants'.
8. Work has been carried out on the compilation of the Council's Annual Governance Statement (AGS) for 2020/21, which is being presented separately to this committee meeting (and which will feature within the Council's Statement of Accounts).
9. From 1 April 2013, the Public Sector Internal Audit Standards (PSIAS) came into effect. The PSIAS apply the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) to the UK Public Sector. Under standard 1310, the Council must ensure that it puts in place a quality assurance and improvement programme in

respect of Internal Audit, which must include both internal and external assessments. An external assessment is required to take place within 5 years of the effective date of the PSIAS.

10. Options for the undertaking of the external assessment were presented to the Audit & Governance Committee in January 2020 and CIPFA was identified as the preferred provider. CIPFA has recently carried out (in June) a three-day validation of our self assessment and their draft conclusion is that the BCP Internal Audit team conforms with the PSIAS. Four recommendations and four suggestions have been made to further improve arrangements and an action plan to address these will be brought to the Audit & Governance Committee in October by which time CIPFA will have provided us with their final report having been through their quality assurance board for sign off. The cost of the CIPFA assessment was £2,925 plus VAT.

Recommendations Implementation

11. All recommendations followed up during the period (in line with the agreed action plan) were found to have been satisfactorily implemented by management or on a risk basis subject to pragmatic revisions to previously agreed dates.
12. No recommendations are required to be escalated to Audit & Governance Committee for non-implementation.

Options Appraisal

13. An options appraisal is not applicable for this report.

Summary of financial implications

14. The BCP Internal Audit Team budgeted cost for 2021/22 is £697,900 which is inclusive of all direct costs including supplies & services but does not include the apportionment of central support costs (which are budgeted in aggregate and apportioned to services as a separate exercise). These numbers are also inclusive of the Head of Audit & Management Assurance who manages other teams.
15. The Internal Audit Team is currently at full establishment. There are no anticipated material projected year end budget variances to report for 2021/22.

Summary of legal implications

16. This report gives an opinion on the adequacy and effectiveness of the risk, control and governance systems in place.

Summary of human resources implications

17. The BCP Internal Audit Team consists of 13.53 FTE for the 2021/22 financial year.

Summary of sustainability impact

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

Summary of public health implications

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

Summary of equality implications

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

Summary of risk assessment

21. The risk implications are set out in the content of this report.

Background papers

None

Appendices

None

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AUDIT AND GOVERNANCE COMMITTEE



Report subject	External Auditor - Audit Plan 2020/21 and Progress Report/Sector Update
Meeting date	29 July 2021
Status	Public Report
Executive summary	<p>The attached report at Appendix A sets out the work that the Council's External Auditor, Grant Thornton, plan to undertake for the audit of the Council's Statement of Accounts in respect of 2020/21.</p> <p>The External Auditor plans to give an opinion on whether the accounts give a true and fair view and whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</p> <p>The attached report at Appendix B provides an update to Audit & Governance Committee on the External Auditor's progress to date in delivering their responsibilities.</p> <p>The report also includes a summary of emerging national issues and developments that may be relevant to the Council.</p>
Recommendations	<p>It is RECOMMENDED that Audit & Governance Committee:</p> <ul style="list-style-type: none"> • notes the Grant Thornton External Audit Plan 2020/211 for the Council. • notes the External Auditor's progress to date in delivering their responsibilities and the sector update provided.
Reason for recommendations	<p>To advise the Audit & Governance Committee of the External Audit annual plan for the Council for the audit of the 2020/21 Statement of Accounts.</p> <p>To update Audit & Governance Committee on the External Auditor's progress to date in delivering their responsibilities.</p> <p>To advise Audit & Governance Committee of emerging national issues and developments that maybe relevant to the Council.</p>
Portfolio Holder(s):	Cllr Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
Report Authors	Nigel Stannard

	Head of Audit & Management Assurance ☎01202 128784 ✉nigel.stannard@bcpcouncil.gov.uk
Wards	Council-wide
Classification	For Information

Background

1. During 2017, Public Sector Audit Appointments (PSAA) awarded contracts for audit appointments for a five-year period beginning on 1 April 2018. This year is the third year of that contract, Grant Thornton are the appointed External Auditors for Bournemouth, Christchurch and Poole Council.
2. The External Auditor performs the audit of the financial statements in line with the Code of Practice issued by the National Audit Office (NAO) and International Standards on Auditing (UK).
3. The External Auditor gives an opinion on whether the accounts give a true and fair view and whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
4. Grant Thornton, as the Council's External Auditors, have a responsibility to provide regular updates to those charged with governance (Audit & Governance Committee) on progress made in delivering their responsibilities.

External Auditor – Audit Plan 2020/21

5. The attached report at Appendix A (BCP Audit Plan) sets out the planned scope and timing of the statutory audit of the Council's Statement of Accounts, in respect of 2020/21, for those charged with governance.
6. The contents of the report include:
 - Key Matters
 - Introduction & Headlines
 - Group audit scope and risk assessment
 - Significant risks identified
 - Accounting estimates & related disclosures
 - Other matters
 - Progress against prior year recommendations
 - Materiality
 - Value for Money arrangements
 - Risks of significant VFM weaknesses
 - Audit logistics and team
 - Audit Fees
 - Independence and non-audit fees

External Audit Progress Report/Sector Update

Progress at July 2021

7. The attached report at Appendix B (BCP Audit Progress Report and Sector Update) details progress made by Grant Thornton in delivering their responsibilities as external auditors.

Sector Update

8. The report also includes a summary of emerging national issues and developments that may be relevant to the Council (as a local authority) which includes:
 - Annual Transparency Report - Grant Thornton
 - Local Authority Covid-19 pressures – MHCLG
 - Government response to Redmond review – MHCLG
 - Consultation on 2023-23 audit appointments – Public Sector Audit Appointments
 - Councils given power to build more homes for first time buyers and for social rent – MHCLG

Options Appraisal

9. An options appraisal is not applicable for this report.

Summary of financial implications

10. The fee for the External Audit programme of work is set out in the attached Appendix A. The proposed 2020/21 fee is £200,500 for the BCP Council Audit and £37,000 for the Audit of subsidiary charities (total value £237,500).

Summary of legal implications

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

Summary of human resources implications

12. There are no direct human resource implications from this report

Summary of sustainability impact

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

Summary of public health implications

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

Summary of equality implications

15. There are no direct equalities implications from this report.

Summary of risk assessment

16. There are no direct risk implications from this report.

Background papers

None

Appendices

Appendix A - Grant Thornton – BCP Audit Plan Year Ending 31 March 2021

Appendix B - Grant Thornton – BCP Audit Progress Report and Sector Update

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Bournemouth, Christchurch and Poole Council audit plan

Year ending 31 March 2021

Bournemouth, Christchurch and Poole Council

15 July 2021



Contents



Your key Grant Thornton team members are:

Peter barber

Key Audit Partner

T 0117 305

E peter.a.barber@uk.gt.com

Sam Harding

Senior Manager

T 0117 305 7874

E sam.g.harding@uk.gt.com

Becky Greaves

Audit Associate

T 0117 305 7717

E becky.dm.greaves@uk.gt.com

Section

Key matters

Introduction and headlines

Group audit scope and risk assessment

Significant risks identified

Accounting estimates and related disclosures

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Appendix 1: Revised Auditor Standards and application guidance

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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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Key matters

Factors

Impact of Covid 19 pandemic

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the group and Council, including carrying out a pivotal role in supporting local people and business through the administration of central government grant funding to businesses, ensuring front line carers were appropriately equipped, the closure of schools, staff redeployment, securing accommodation for rough sleepers, the provision of critical services during lockdown and the additional challenges of reopening services under new government guidelines.

The easing of lockdown restrictions in the summer together with the fine weather and foreign travel restrictions resulted in the Council's beaches experiencing an unprecedented level of visitors with associated problems with parking, littering and anti-social behaviour resulting the need to declare a major incident. Plans have been put in place to manage the anticipated demand on the resort over the coming summer months.

Since the start of the pandemic the Council has been on the front line in distributing grants to business to help them to mitigate the impact of Covid-19. Grants have been made available through a number of government schemes, such as business rates grants launched in spring 2020 and the Local Restrictions Support Scheme which was introduced with the tier system in autumn 2020 and further ongoing business support packages which remain on going. The Council has been proactive in managing this process and ensuring that verification processes were in place to prevent fraudulent claims being successful.

The Council is now considering how to take forward the benefits of remote working necessitated by the pandemic and how this can further the transformation of services envisaged as part of local government reorganisation.

The current lockdown restrictions mean that we will have to continue to work completely remotely for a longer period and potentially through much of the audit for 2020/21. Working in cooperation with the Council, we managed this for the 2019/20 audit and we will continue to be in regular contact with your finance team in respect of the logistics of these arrangements for our 2020/21 programme of audit work. We aim to build on our experience from last year. As restrictions ease will consider the implications for how this impacts on how we complete the audit.

Our response

- We will consider your arrangements for managing the impact of the Covid-19 pandemic as part of our Value for Money work.
- We shared our Grant Thornton Report 'Accounting for grants in local government financial statements', which provides observations on the different grants available and potential accounting treatments, with the finance officers in March 2021.

Key matters

Factors

Our response

Reorganisation and transformation

2019/20 was the first year of operation for the new BCP Council. A three stage process is underway with the first two phases completed.

Phase 1 - To create the new authorities through the parliamentary process.

Phase 2 – Transition services safely and establish business critical systems and processes.

Phase 3 – Design and build the new organisation

Work has continued during the year to further implement plans, and the Council has completed a procurement process to select a strategic partner that will work with the council to deliver the vision. Progress has also continued made in key areas including estates strategy and the adult social care charging strategy.

The savings derived from the transformation programme are a key element of the Council’s MTFP and efforts to deliver a balanced budget. £15 million of savings are included in the 2021/22 budget. The transformation programme is forecast to deliver up to £42 million of savings over the next three years. It will form the single largest and most comprehensive response to addressing the budget pressures identified in the Council’s MTFP, realising benefits through streamlining services, reducing third party spend and harmonising fees and charges.

The Council will fund this project through the flexible use of capital receipts, additional borrowing to fund the capital elements of the plan. Revenue elements will be funded through the use of reserves.

The Council was recognised for transformation by the Local Government Chronicle awards in October 2020.

- We will consider your arrangements service and structural transformation as part of our Value for Money work.

Key matters

Factors

Financial Reporting

On 1 April 2020, the National audit office introduced a new code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money (VFM). There are three main changes arising from the new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements to economy, efficiency and effectiveness;
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all the key criteria, rather than the current 'reporting by exception' approach; and
- The replacement of the binary (qualified/unqualified) approach to VFM conclusions, with more sophisticated judgements on performance. As well as key recommendations on any significant weaknesses in arrangements identified during the audit.

199 In the period December 2018 to January 2020, the Financial Reporting Council (FRC) issued a number of updated Audited Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures includes significant enhancements in respect of the audit risk assessment process for accounting estimates. As part of this process auditors also need to obtain an understanding of the effectiveness of the role of those charged with governance relating to accounting estimates adopted by management. Which is particularly important where estimates have high estimation uncertainty, or require significant judgement.

Although the implementation of IFRS 16 has been deferred, audited bodies will still need to include disclosures in their 2020/21 statements to comply with the requirements of IAS 8. As a minimum we would expect the Council to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases. If the impact of IFRS 16 is not known or reasonably estimable, the accounts should state this.

In the prior year the Council's valuer reported a material uncertainty regarding the valuations of properties due to the Covid-19 pandemic. In addition, there was a material uncertainty in relation to the valuation of pooled property funds which impacted both the group's and the Council's share of the pension funds position.

We will monitor the position for the 31 March 2021 valuations.

The FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing. Our work in 2019/20 has highlighted areas where Local Government financial reporting, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of financial transactions in the Local Government sector which requires greater audit scrutiny.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- Members of the finance team attended our annual final accounts workshop during February, hosted by our highly experienced public sector assurance team as they help you prepare for your 20/21 financial statements by highlighting potential risk areas and providing you with practical advice.
- We will continue to provide you with sector updates via our Audit and Governance Committee updates.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to management override of controls– refer to page 9.
- The Council's valuers reported a material uncertainty in regards to the valuation of properties in 2019/20 due to the Covid 19 pandemic. Early indications from across the sector are that we do not expect a similar uncertainty to be reported for most assets in 2020/21. We continue to identify a significant risk in regards to the valuation of land and buildings, council dwellings and **investment** properties – refer to page 10.
- The Council has engaged a new valuer to value its general fund assets. This will necessitate a greater level of scrutiny to consider how this change impacts of the valuation methods and processes undertaken.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Bournemouth, Christchurch and Poole Council (BCP) ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the *Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA)*, the body responsible for appointing us as auditor of BCP Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Governance Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Governance Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of the Russell-Cotes Art Gallery and Museum, The Five Parks and the Lower Central Gardens, Bournemouth.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuations of land, buildings and investment properties.
- Valuation of the pension fund liability.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £11.56m (PY £11.18m) for the group and £11.50m (PY £11.12m) for the Council, which equates to approximately 1.4% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £600k (PY £600k).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following significant risk and areas of focus for our value for money assessments:

- Significant Risk - The Council's arrangements and progress in addressing the weaknesses identified by OFSTED in its focussed inspection of childrens services.
- The Council's arrangements in response to the Covid-19 pandemic. Reviewing financial governance arrangements in place over Covid related spend and how the Council is capitalising on the benefits from different models of service delivery and ways of working brought about by the pandemic.
- The Council's arrangements for setting the Medium-Term Financial Strategy and achieving financial sustainability.
- The Council's transformation programme.
- The Council's arrangements for working with its key partners and subsidiaries to deliver services efficiently and the governance arrangements in place.

Introduction and headlines cont.



Audit logistics

Our interim visit took place in April and our final visit will take place in September to November. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report. Our audit approach is detailed in Appendix A.

Our proposed audit fee for the audit has been set at £200,500. The scale fee, set by PSAA, is £130,000, however this does not reflect the additional work now required due to the changes in expectations of the regulator or the additional work required on the VFM conclusion as a result of the new Code issued by the NAO. The fee for 2019-20 was £210,000 for the Council. The fee for the current year, as in previous years, is subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

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Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Council	Yes		<ul style="list-style-type: none"> See pages 9-11 	Full scope audit performed by Grant Thornton UK LLP
The Russell Cotes Art Gallery and Museum	No		<ul style="list-style-type: none"> None 	Specified procedures on one more classes of transactions, account balances or disclosures in the group financial statements.
The Five Parks	No		<ul style="list-style-type: none"> None 	Specified procedures on one more classes of transactions, account balances or disclosures in the group financial statements.
The Lower Central Gardens Bournemouth	No		<ul style="list-style-type: none"> None 	Specified procedures on one more classes of transactions, account balances or disclosures in the group financial statements.

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
ISA 240 revenue risk	Council	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including BCP Council, mean that all forms of fraud are seen as unacceptable 	
Management override of controls	Council	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings including council dwellings and investment properties	Council	<p>The Council revalues its land and buildings on a rolling five-yearly basis. In addition council houses, investment property and the top 20 by value assets are revalued annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value for surplus assets and investment properties at the financial statements date, where a rolling programme is used</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation experts used • discuss with and write to the valuers to confirm the basis on which the valuation was carried out • challenge the information and assumptions used by the valuers to assess completeness and consistency with our understanding and engage our own valuer to assess the instructions to the Council's valuers, the Council's valuers' report and the assumptions that underpin the valuation • test revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Pension Fund Liability	Council	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report • obtain assurances from the auditor of Dorset Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Accounting estimates and related disclosures

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The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates. We identified a number of recommendations in our 2019/20 audit in relation to the Council's estimation process for the valuation of land and buildings.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, council dwellings and investment properties
- Depreciation
- Year end provisions and accruals
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pension liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

Planning enquiries

As part of our planning risk assessment procedures we have made inquiries of management. At the time of drafting this plan management responses remained outstanding. Should the responses identify any additional risks we would update our audit approach to reflect these and communicate them to Those Charged with Governance via our Audit Findings Report.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience as part of our VfM work and ensure that our work on going concern is proportionate for public sector bodies. We will review the Council's arrangements for securing financial sustainability as part of our Value for Money work and provide a commentary on this in our Auditor's Annual Report (see page 19). We will also need to identify whether any material uncertainties in respect of going concern have been reported for the Council's subsidiaries, associate and joint venture. If such a situation arises, we will consider our audit response for the group.

Progress against prior year audit recommendations

We identified the following issues in our 2019/20 audit of the group's financial statements, which resulted in 8 recommendations being reported in our 2019/20 Audit Findings Report. We will follow up on the implementation of our recommendations as part of our audit procedures. Our IT team made 11 recommendations in 2019/20 from their review of the Council's financial systems. These were reported in our Audit Findings Report and a follow up review is underway.

Issue and risk previously communicated

Recommendation

Complexity of the financial systems

This is the first year of the bringing together of the three legacy Councils and incorporating the upper tier services for the Christchurch area. The first phase of LGR focussed on the delivery of services to residents and ensuring business as usual, however there remains a significant program of work to align the systems underpinning the financial statements. In many areas the Council continues to operate three legacy systems with different ways of working which has added considerably to the work required to both produce and audit the financial statements. The impact of Covid-19 reducing officer time available to respond to auditor queries and implement checks on the financial statements has also impacted on the efficiency of the audit process.

We are aware that the Council's transformation programme is working to address these issues, however this work needs to progress at pace to enable the process of accounts preparation and audit to be undertaken in a more efficient and timely manner in the future.

Land and building additions and the capital programme

Our testing of year end valuations identified £11 million of capitalised work on the Council's existing asset base that was recorded in addition to the asset valuation supplied by the valuer. Enquiries made of the valuer confirmed that the valuation supplied at 31 March 2020 considered all relevant information and this expenditure should have been written out of the accounts rather than treated as adding value.

Processes should be in place to ensure that valuations are accurately included within the financial statements. Management should consider what processes can be introduced to capture capital spend to inform the valuation process.

Progress against prior year audit recommendations

Issue and risk previously communicated

Recommendation

Lack of detailed evidence to support land and buildings valuations

The Council does not hold detailed floor plans for all of its assets to enable the gross internal area figures used in the valuation process for its assets valued at depreciated replacement cost. The Council has undertaken further verification using external data sources to support the data used. However there remains a risk that valuation calculations cannot be fully supported.

In addition our testing identified that evidence to support other information used in determining the valuations such as acreage, certain lease documentation and comparable evidence to support land sales had not been retained in an accessible manner and took time to provide.

There are mitigating factors such as Covid and LGR but our overall view is that the Council's valuation arrangements in respect of the accounts are not adequate.

Management should consider undertaking an exercise to ensure that detailed floor plans are available to support its valuation process.

We have requested early engagement with management's new valuers to ensure these issues are discussed and resolved at an early stage for 2020/21.

This is the main area for improvement in the accounts process

Valuation schedules for the Bournemouth area council dwellings

The spreadsheets used to calculate the bulk valuations for the Bournemouth area council dwellings are complex and our testing has identified a number of errors in the formulas and calculations resulting in a significant error in the valuation of council dwellings.

Management should ensure that the spreadsheets used to calculate the valuations of council dwelling for the Bournemouth area are subject to thorough review to ensure that formula and mathematical errors are resolved and amended during the accounts preparation process.

Evidence to support Bournemouth area collection fund debtors

The Council had not retained a detailed listing of amounts owed to it at 31 March 2020 from council tax and business rates payers for the Bournemouth area. This has resulted in significant additional work being required by management and auditors to confirm the balance held.

Management should consider undertaking an exercise to ensure that detailed floor plans are available to support its valuation process.

We have requested early engagement with management's new valuers to ensure these issues are discussed and resolved at an early stage for 2020/21.

This is the main area for improvement in the accounts process

Progress against prior year audit recommendations

Issue and risk previously communicated

Recommendation

Reconciliation of the Poole Neighbourhood Fixed Asset Register

The Council currently maintains three fixed asset registers covering general fund assets and separate registers for the Poole and Bournemouth neighbourhood fixed asset registers. These are brought together to generate the disclosures in the financial statements.

We could not immediately reconcile the Poole neighbourhood fixed asset register to the financial statements. This is maintained by Poole Housing Partnership Ltd.

Management should ensure that all evidence to support year end balances is retained to support the audit process.

Preparation for the implementation of IFRS 16

Although the implementation of IFRS 16 has been delayed to 1 April 2022, it has been confirmed that there will be no further delays to the implementation of this standard. The Council will need to ensure that a full assessment of current and future leases is undertaken to ensure that the changes arising from this standard can be implemented.

Management should ensure that an exercise to review all leases is undertaken to address the requirements of this standard.

Clearing of the Council's bank account

In order to expedite the selection of samples the Council undertook a housekeeping exercise to clear its control accounts for in year transactions. The Council's bank control accounts was also cleared in error and the reversal to correct this accounts omitted to include uncleared cheques and uncashed lodgements. Although the impact was trivial this represents a control issue.

Management should ensure that clearing control accounts is not extended to the bank control accounts.

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the last financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £11.5m (PY £11.120m) for the Council, which equates to approximately 1.4% of your prior year gross expenditure. A similar percentage has been determined for the group financial statements at £11.56m (PY £11.180m). We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £14,000 (PY £20,000) for senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

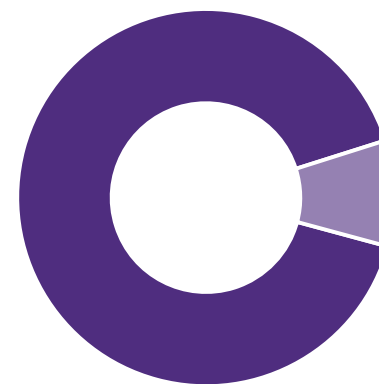
Matters we will report to the Audit and Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £600k (PY £600k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.

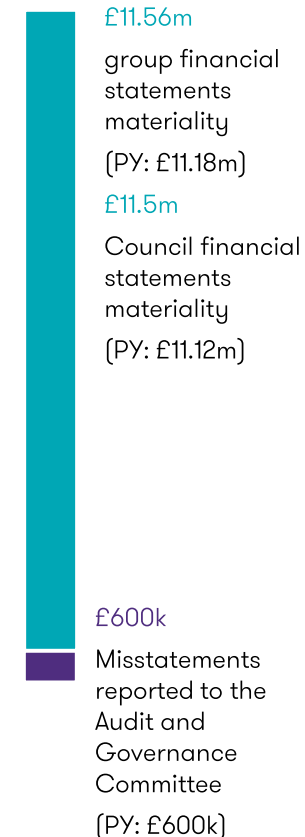
Prior year gross operating costs

£825m group
£822m Council



■ Prior year gross operating costs

Materiality



Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary qualified / unqualified approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body 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 body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risk we have identified is detailed in the first table below, along with the further procedures we will perform. We have also identified further areas of focus that will be considered in detail during the course of our work. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Significant risks and key areas of focus

Our initial consideration has identified the following significant risk and other areas of focus. Our Value for Money work will primarily focus on the aspects listed below, but may increase in scope as further work is performed.

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Childrens Services

The findings of a focussed inspection of the Council's childrens services reported in November 2020 identified significant failings. This is indicative of weaknesses in how the Council delivers this service.

We will consider the actions that the Council has taken to respond to these findings and review evidence to support any improvements reported.

Other areas of focus

- The Council's arrangements in response to the Covid-19 pandemic. Reviewing financial governance arrangements in place over Covid related spend and how the Council is capitalising on the benefits from different models of service delivery and ways of working brought about by the pandemic.
- The Council's arrangements for setting the Medium-Term Financial Strategy and achieving financial sustainability.
- The Council's transformation programme.
- The Council's arrangements for working with its key partners and subsidiaries to deliver services efficiently and the governance arrangements in place.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Audit logistics and team



Peter Barber, Key Audit Partner

Peter is responsible for the overall delivery of the audit. He will meet regularly with senior management of the Council and will attend Audit and Governance Committee meetings.

Sam Harding, Audit Manager

Sam oversees day to day planning and manages the work of the Audit Incharge and associates to ensure that the audit work is focussed on the key areas of the financial statements risks and compliance with relevant accounting standards and guidance.

Becky Greaves, Audit Incharge

Becky is responsible for the on-site delivery of the audit work. She assigns activities across the team and ensures it is completed satisfactorily.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees

In 2019, PSAA awarded a contract of audit for BCP Council to begin with effect from 2019/20. The fee agreed in the contract was £130,000. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit.

As referred to on page 21, the 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years. Our estimate is that for your audit, this will result in an increased fee of £43,000 (27%). This is in line with increases we are proposing at all our local audits. However in 2019/20, additional work was required due to the underlying complexity of the legacy systems in operation and errors identified by our testing and to address the impact of Covid-19 on the efficiency of the audit process. The total proposed audit fee for 2020/21 is a reduction from 2019/20 of £9,500. It should however, be noted that if error or difficulties in obtaining evidence recur in 2020/21, further fee increases may be required to address these issues.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1.

The Council does not yet operate a single finance system across its operations, and continues to maintain three collection funds, two housing revenue accounts, two payroll and debtors systems as well as a number of legacy bank accounts. This increases the complexity of the quantum of the work required to undertake our audit.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. We have engaged an audit expert to improve the level of assurance we require for property valuations estimates, which has been included in our proposed audit fee. Our proposed work and fee for 2020/21, as set out below, is detailed overleaf.

	Actual Fee 2019/20	Proposed fee 2020/21
BCP Council Audit	£210,000	£200,500
Audit of subsidiary charities	£37,000	£37,000
Total audit fees (excluding VAT)	£247,000	£237,500

All variations to the scale fee will need to be approved by PSAA

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis



Scale fee published by PSAA £130,000

Ongoing increases to scale fee first identified in 2019/20

Raising the bar/regulatory factors £6,500

Enhanced audit procedures for Property, Plant and Equipment £10,000

Enhanced audit procedures for Pensions (IAS19) £3,500

Auditors expert to review valuations £7,000

Bought forward ongoing fee from 2019/20 £157,000

New issues for 2020/21

Additional work on Value for Money (VfM) under new NAO Code £26,000

Increased audit requirements of revised auditing standards (see appendix 1) £17,500

Total proposed audit fees for 2020/21 (excluding VAT) £200,500

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies. We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Capital receipts return	5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £200,500 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefits Subsidy return	21,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £21,000 in comparison to the total fee for the audit of £200,500 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Teachers Pensions return	5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £200,500 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
CFO Insights Data analytics subscription service	10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £200,500 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	41,000		

Appendix 1: Revised Auditor Standards and application guidance

FRC revisions to Auditor Standards and associated application guidance

The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.

	Date of revision	Application to 2020/21 Audits
ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements	November 2019	✓
ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	January 2020	✓
ISA (UK) 220 – Quality Control for an Audit of Financial Statements	November 2019	✓
ISA (UK) 230 – Audit Documentation	January 2020	✓
ISA (UK) 240 – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements	January 2020	✓
ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements	November 2019	✓
ISA (UK) 250 Section B – The Auditor’s Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector	November 2019	✓

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 260 – Communication With Those Charged With Governance	January 2020	✓
ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment	July 2020	
ISA (UK) 500 – Audit Evidence	January 2020	✓
ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures	December 2018	✓
ISA (UK) 570 – Going Concern	September 2019	✓
ISA (UK) 580 – Written Representations	January 2020	✓
ISA (UK) 600 – Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	November 2019	✓
ISA (UK) 620 – Using the Work of an Auditor’s Expert	November 2019	✓
ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements	January 2020	✓

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report	January 2020	
ISA (UK) 720 – The Auditor’s Responsibilities Relating to Other Information	November 2019	
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom	December 2020	



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BCP Council Audit Progress Report and Sector Update

Year ending 31 March 2021

July 2021

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Sector Update	7

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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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Introduction

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Peter Barber
Engagement Lead
T: 0117 305 7897
E: peter.A.barber@uk.gt.com



Sam Harding
Engagement Manager
T 0117 306 7874
E sam.g.harding@uk.gt.com

This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at July 2021

Financial Statements Audit

We undertook our initial planning for the 2020/21 audit in February 2021 and interim audit work commenced in April 2021. We will complete our interim audit work and begin our work on your draft financial statements in August.

A detailed audit plan, setting out our proposed approach to the audit of the Authority's 2020/21 financial statements is included in the July Committee papers.

The Accounts and Audit (Amendment) Regulations 2021 push back the date by which principal authorities need to publish their draft financial statements to the first working day of August. In 2020 this date was pushed back to 31 August. The date by which authorities are required to publish audited financial statements is 30 September. In 2020 this date was pushed back to 30 November.

We received a copy of your draft financial statements on the 17 June 2021 ahead of the agreed timetable.

We will report our work in the Audit Findings Report and aim to give our opinion on the financial statements by the end of November 2021.

Value for Money

The new Code of Audit Practice (the “Code”) came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor’s Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor’s Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline is now no more than three months after the date of the opinion on the financial statements.

Progress at July 2021 (cont.)

Other areas

Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2019/20 claim was completed in November 2020. The certification work for the 2020/21 claim commenced this month.

We certify the Authority's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The certification work for the 2019/20 return was completed in November 2020. The certification work for the 2020/21 is due to begin in October.

We also certify the Authority's annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Ministry of Housing, Communities & Local Government. (MHCLG). The certification work for the 2019/20 return was completed in January 2021. The certification work for the 2020/21 return is due to begin in December.

Meetings

We met with Finance Officers in June as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Financial Reporting Workshop in February, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2020/21 is the third year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 and 2019/20 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit and Governance Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit Deliverables

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2020/21 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.	July 2021	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	September 2021	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the September Audit and Governance Committee.	September 2021	Not yet due
Auditors Report This is the opinion on your financial statements.	November 2021	Not yet due
Auditor's Annual Report This Report communicates the key issues arising from our Value for Money work.	January 2022	Not yet due

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

Annual Transparency Report – Grant Thornton

As auditors of several listed entities as well as nearly one hundred major local audits, we are required as a firm to publish an annual transparency report.

The report contains a variety of information which we believe is helpful to audit committees as well as wider stakeholders. The Financial Reporting Council (FRC) in their thematic review of transparency reporting noted that they are keen to see more Audit Committee Chairs actively engaging and challenging their auditors on audit quality based on the information produced in Transparency reports on a regular basis. We agree with the FRC and are keen to share our transparency report and discuss audit quality with you more widely.

The transparency report provides details of our:

- Leadership and governance structures
- Principle risks and Key Performance Indicators
- Quality, risk management and internal control structure
- Independence and ethics processes
- People and culture
- Compliance with the Audit Firm Governance code and EU Audit directive requirements

We have made significant developments in the year as part of our Local Audit Investment Plan to improve our audit quality. We welcome an opportunity to discuss these developments and our transparency report should you wish.



The full report is available here:

[Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

Local authority Covid-19 pressures – MHCLG

Outturn figures from the Ministry for Housing, Communities and Local Government (MHCLG) show that local authorities in England reported additional cost pressures of £12.8bn relating to Covid-19 in 2020-21. Overall, local authorities spent £7.2bn responding to the pandemic last year, with the largest share of additional expenditure going on adult social care services at £3.2bn.

Additional expenditure due to COVID-19 by class and service area (£ millions) (2020-21)

	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Adult Social Care – total	0.473	1,254.880	848.656	663.404	413.842	3,181.254
Children's social care - total (excluding SEND)	0.000	94.933	131.127	89.799	62.987	378.846
Housing - total (including homelessness services) excluding HRA	63.129	5.254	74.949	42.281	112.971	298.584
Environmental and regulatory services - total	33.564	68.097	67.512	66.704	63.556	299.433
Finance & corporate services - total	48.222	53.445	83.984	76.923	78.284	340.858
All other service areas not listed in rows above	184.550	634.578	584.924	564.737	395.137	2,363.926
Total	329.937	2,111.187	1,791.153	1,503.848	1,126.777	6,862.902

Income losses due to COVID-19 by class and source of income (£ millions) (2020-21)

	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Business rates	276.498	0.000	194.192	207.351	537.667	1,215.708
Council tax	399.037	0.000	217.633	191.219	232.727	1,040.616
Sales fees and charges	516.426	194.923	553.907	396.745	475.728	2,137.728
Commercial income	82.448	24.159	120.629	204.211	52.154	483.600
Other	33.494	39.947	27.163	53.664	45.166	199.435
Total	1,307.903	259.029	1,113.524	1,053.190	1,343.441	5,077.087



The figures are available in full here:
<https://www.gov.uk/government/publications/local-authority-covid-19-financial-impact-monitoring-information>

Government response to Redmond review – MHCLG

Government has published an update on the Ministry of Housing, Communities & Local Government response to Sir Tony Redmond's independent review into the effectiveness of external audit and transparency of financial reporting in local authorities.

The MHCLG press release states "The Audit, Reporting and Governance Authority (ARGA) – the new regulator being established to replace the Financial Reporting Council (FRC) – will be strengthened with new powers over local government audit, protecting public funds and ensuring councils are best serving taxpayers.

The new regulator, which will contain a standalone local audit unit, will bring all regulatory functions into one place, to better coordinate a new, simplified local audit framework.

ARGA will continue to act as regulator and carry out audit quality reviews as the FRC does now. It will now also provide annual reports on the state of local audit and take over responsibility for the updated Code of Local Audit Practice – the guidelines councils are required to follow.

The government has confirmed that the Public Sector Audit Appointments (PSAA) will continue as the appointing body for local audit, in charge of procurement and contract management for local government auditors.

In the immediate term, MHCLG will set up and chair a Liaison Committee, which will comprise senior stakeholders across the sector that will oversee the governance of the new audit arrangements and ensure they are operating effectively."

The press release goes on to state the "measures finalise the government's response to Sir Tony Redmond's independent review into local audit, carried out last year.

The government has already announced £15 million to support councils with additional costs in audit fees, and recently consulted on the distribution of this funding. Government is also consulting on improving flexibility on audit fee setting and has extended the deadline for when councils must publish their audited accounts.



The press release can be found here:

<https://www.gov.uk/government/news/government-publishes-update-to-audit-review-response>

Consultation on 2023-24 audit appointments – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) is consulting on the Draft prospectus for 2023 and beyond.

PSAA state “Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

The objectives of the procurement are to maximise value for local public bodies by:

- securing the delivery of independent audit services of the required quality;
- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and
- establishing arrangements that are able to evolve in response to changes to the local audit framework.”

The plans include proposals to adjust the procurement ratio between quality and costs from an equal 50:50 to 80:20, as well as trying to bring new suppliers in to the market.

The consultation on the PSAA’s proposals closed on 8 July.



The news article can be found here:

<https://www.psaa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/prospectus-2023-and-beyond/draft-prospectus-for-2023-and-beyond/page/7/>

Councils given power to build more homes for first time buyers and for social rent – MHCLG

The Ministry of Housing, Communities & Local Government (MHCLG) has announced that councils in England will have more freedom on how they spend the money from homes sold through Right to Buy to help them build the homes needed in their communities.

The MHCLG press release states the “package will make it easier for councils to fund homes using Right to Buy receipts, including homes for social rent, and give them greater flexibility over the types of homes they provide to reflect the needs of their communities.

It will also give councils more time to use receipts and to develop ambitious building programmes. The government wants homes supplied using Right to Buy receipts to be the best value for money, and to add to overall housing supply, to help towards delivering 300,000 new homes a year across England by the mid-2020s.”

The press release goes on to note “New measures include:

- extending the time councils have to spend Right to Buy receipts from 3 years to 5 years
- increased cap on the percentage cost of new homes councils can fund from Right to Buy receipts raised from 30% to 40% per home, making it easier to build replacement homes
- allowing receipts to be used for shared ownership, First Homes, as well as affordable and social housing, to help councils build the homes their communities need
- introducing a cap on the use of Right to Buy receipts for acquisitions to help drive new supply.”



The press release can be found here:

<https://www.gov.uk/government/news/councils-given-power-to-build-more-homes-for-first-time-buyers-and-for-social-rent>



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AUDIT AND GOVERNANCE COMMITTEE



Report subject	Audit & Governance Committee Forward Plan
Meeting date	29 July 2021
Status	Public Report
Executive summary	This report sets out the reports to be received by the Audit & Governance Committee for the 2021/22 municipal year.
Recommendations	<p>It is RECOMMENDED that:</p> <p>The Audit & Governance Committee approves the forward plan set out at Appendix A.</p>
Reason for recommendations	To ensure that Audit & Governance Committee are fully informed of the reports to be considered during 2021/22.
Portfolio Holder(s):	Cllr Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
Report Authors	<p>Nigel Stannard Head of Audit & Management Assurance ☎01202 128784 ✉ nigel.stannard@bcpCouncil.gov.uk</p>
Wards	Council-wide
Classification	For Recommendation Decision

Background

1. Good practice dictates that a forward plan should be agreed which sets out the reports to be considered by the Audit & Governance Committee over the next 12 months.

The Forward Plan

2. The Forward Plan set out at Appendix A has been developed through discussion with the Chair and Vice Chair of the Audit & Governance Committee, the S151 Officer and the Council's External Auditors. The plan sets out proposals for the forward management of reports to be considered by the Audit & Governance Committee in order to enable it to fulfil its terms of reference.
3. The Audit & Governance Committee should note that the plan does not preclude extraordinary items being brought before the Committee in consultation with the

Chair and Vice Chair as necessary and appropriate, thus ensuring that Audit & Governance Committee business is consistent with the requirements of the Council's Financial Regulations.

4. The Chairman regularly asks committee members for any topics requiring this Committee's consideration within its terms of reference and can be added at any time in the year or as they arise. These topics are generally shown in the 'Presentations' section of the Forward Plan, Appendix A. The presentations are made available to the public with the meeting minutes.

Options Appraisal

5. An options appraisal is not applicable for this report.

Summary of financial implications

6. There are no direct financial implications from this report.

Summary of legal implications

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

Summary of human resources implications

8. There are no direct human resource implications from this report.

Summary of sustainability impact

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

Summary of public health implications

10. There are no public health implications from this report.

Summary of equality implications

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

Summary of risk assessment

12. Development and agreement of the Forward Plan by the Audit & Governance Committee enables it to fulfil its terms of reference.

Background papers

None

Appendices

Appendix A – Audit & Governance Committee - Forward Plan 2021/22

Audit & Governance Committee – DRAFT Forward Plan 2021/22

REPORT	10 JUN 2021 (extra)	29 JUL 2021	9 SEP 2021 (extra)	28 OCT 2021	2 DEC 2021 (extra)	13 JAN 2022	17 MAR 2022 (extra)	14 APR 2022
ANNUAL REPORTS								
Statement of Accounts 2020/21				✓				
Annual Governance Statement 2020/21 and Annual Review of Local Code of Governance (<i>1 update on Action Plan only</i>)		✓				✓ ₁		
Chief Internal Auditor's Annual Opinion Report 2020/21		✓						
Annual Breaches & approved Waivers of Financial Regulations Report 2020/21		✓						
Annual Review of Declarations of Interests, Gifts & Hospitality by Officers 2020/21		✓						
Use of Regulation of Investigatory Powers Annual Report) 2020/21		✓						
Annual Report of Internal Audit Counter Fraud Work and Whistleblowing Referrals 2020/21				✓				
Equality & Diversity Annual Report 2020/21				✓				
Emergency Planning & Business Continuity Update				✓				
Treasury Management Strategy Refresh/Approval for next financial year						✓		
Assurance Framework & Internal Audit Planning Consultation						✓		
Information Governance Update						✓		
Internal Audit Charter & Audit Plan for next financial year								✓
QUARTERLY / HALF YEARLY REPORTS								
Internal Audit - Quarterly Audit Plan Update		✓		✓		✓		✓
Risk Management – Corporate Risk Register Update		✓		✓		✓		✓
Forward Plan (refresh)		✓		✓		✓		✓
Treasury Management Monitoring Report		✓		✓		✓		
Health & Safety and Fire Safety Update				✓				
AD HOC / OTHER REPORTS								
Annual evolution of Policies for 2022/23: - Whistleblowing - Anti-Fraud and Corruption - Declaration of Interests, Gifts & Hospitality - Regulation of Investigatory Powers							✓	
Financial Regulations - annual evolution for 2022/23.							✓	
Financial Statements 2020/21: Review of Significant Judgements and Sources of Estimation Uncertainty		✓						
Changes to Council Constitution		✓			✓			
PRESENTATIONS (rather than formal reports)								
Review of Parks governance arrangements	✓							
Review of BH Live contractual and governance arrangements.			✓					
EXTERNAL AUDITS REPORTS								
External Auditor – Audit Plan 2020/21 (<i>2 Audit Plan 2021/22</i>)		✓						✓ ₂
External Auditor – Audit Findings Report 2020/21					✓			
External Auditor – Annual Audit Letter 2020/21						✓		
External Auditor – Certification of Claims and Returns 2020/21						✓		
External Auditor – Annual Audit Fee 2021/22						✓		
External Auditor – Audit Progress & Sector Update		✓		✓		✓		✓

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