

Notice of Audit and Governance Committee



Date: Thursday, 7 September 2023 at 6.00 pm

Venue: Committee Room, First Floor, BCP Civic Centre Annex, St Stephen's Rd, Bournemouth BH2 6LL

Membership:

Chairman:

Cllr M Andrews

Vice Chairman:

Cllr E Connolly

Cllr J Beesley
Cllr B Castle
Cllr A Chapmanlaw

Cllr R Herrett
Cllr M Phipps
Cllr J Salmon

Cllr C Weight

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?MIId=5593>

If you would like any further information on the items to be considered at the meeting please contact: Democratic Services on 01202 096660 or email democratic.services@bcpCouncil.gov.uk

Press enquiries should be directed to the Press Office: Tel: 01202 118686 or email 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

30 August 2023

**DEBATE
NOT HATE**



Available online and
on the Mod.gov app



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



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 27 July 2023.

5 - 18

5. Public Issues

To receive any public questions, statements or petitions submitted in accordance with the Constitution. Further information on the requirements for submitting these 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 public questions is 3 clear working days before the meeting.

The deadline for the submission of a 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. External Audit - Auditor's Annual Report 2021/22 & 2022/23 (Value for money arrangements report)

19 - 78

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

Auditors are required to report their commentary under specific criteria, namely financial sustainability, governance and improving economy,

efficiency and effectiveness. They are required to report on any significant weaknesses they identify.

The External Auditor has produced a 2021/22 and 2022/23 Annual Report which has identified the following weaknesses:

| Criteria | Risk assessment |
|---|---|
| Financial sustainability | Risks identified relate in the main due to uncertainties in relation to the Councils Medium Term Financial Plans and associated transformation programme and delivery of savings. |
| Governance | Significant risks identified in Governance in relation to leadership, partnerships and the Transformation programme |
| Improving economy, efficiency and effectiveness | Risk identified because of the inadequate rating issued by Ofsted in respect of children in care |

Five significant weaknesses have been identified and have resulted in 5 key recommendations being made.

A further 13 improvement recommendations have been made. The Council has provided the External Auditor with management responses to all the recommendations.

The External Auditor has made a contextual comment that the May 2023 election has resulted in a change of political administration and an apparent change in financial strategy which will set a new tone from the top and will be an opportunity to address some of the issue raised in their report.

7. Review of the Council's Constitution - Recommendations of the Constitution Review Working Group

79 - 114

The report summarises the issues considered by the Constitution Review Working Group and sets out a series of recommendations arising from the Working Group for consideration by the Committee including proposed changes to the overview and scrutiny arrangements.

Any recommendations arising from the Committee shall be referred to full Council for adoption.

No other items of business can be considered unless the Chairman decides the matter is urgent for reasons that must be specified and recorded in the Minutes.

BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL
AUDIT AND GOVERNANCE COMMITTEE

Minutes of the Meeting held on 27 July 2023 at 6.00 pm

Present :

Cllr M Andrews, Cllr J Beesley, Cllr B Castle, Cllr A Chapmanlaw,
Cllr E Connolly, Cllr R Herrett, Cllr M Phipps and Cllr C Weight.

Also in attendance : Cllr G Farquhar

1. Apologies

Councillor Beesley, Chair of the Committee for the Municipal year 2022/23, in the Chair.

Apologies for absence were received from Councillor J Salmon.

Apologies for absence were also received from the Leader of Council, Councillor Slade.

The following statement from the Leader was read out to the Committee:
'It has been the custom and practice of this council for the Leader to attend meetings of the Audit and Governance Committee. However this is not always possible due to the heavy and varied commitments that the Leader is expected to attend and given that the finance and audit brief is not sitting with me I hope you will accept my apologies. The Portfolio holder for Finance has a professional background in audit and he will attend meetings on my behalf when I am unable to, as on this occasion'.

Apologies for absence for this meeting were also received from the Council's external auditors, Grant Thornton.

2. Substitute Members

Formal notice had been received appointing Councillor Armstrong as substitute for Councillor J Salmon.

3. Election of Chair

Councillor Dedman, Chair of Council, in the Chair.

It was proposed by Councillor Chapmanlaw, seconded by Councillor Phipps that Councillor Andrews be elected as Chair of the Audit and Governance Committee for the Municipal year 2023/24.

It was proposed by Councillor Beesley, although not seconded, that Councillor Beesley be elected as Chair of the Audit and Governance Committee for the Municipal year 2023/24.

RESOLVED that Councillor Andrews be elected as Chair of the Audit and Governance Committee for the Municipal year 2023/24.

The Chair recorded his thanks to Councillor Beesley for his great skill in steering the work of Audit and Governance Committee since the BCP Council was formed in 2019.

4. Election of Vice-Chair

Councillor Andrews in the Chair.

It was proposed by Councillor Herrett, seconded by Councillor Castle and **RESOLVED that Councillor Connolly be elected as Vice-Chair of the Audit and Governance Committee for the Municipal year 2023/24.**

5. Declarations of Interests

There were no declarations of interest.

6. Confirmation of Minutes

RESOLVED that the Minutes of the meeting on 9 March 2023 be confirmed as a correct record.

7. Public Issues

There were no public issues.

8. Treasury Management Monitoring Outturn 2022/23 and update for Quarter 1 2023/24

The Assistant Chief Financial Officer presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'A' to these Minutes in the Minute Book.

It was explained that it was 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 should be reported to Members. Council was required to approve any changes to the prudential indicators based on a recommendation from the Audit and Governance Committee.

The Committee was also informed that a training session for the Committee would be arranged very shortly at a date to be agreed and would include involvement from the Council's external Treasury Management advisers.

The figures were presented within the context of the national economic background and interest rate projections. The Council's Treasury management performance was explained in terms of borrowing and investments and including particularly an investments summary as at 31 March 2023.

The report set out the monitoring of the Council's Treasury Management function for the period 1 April 2022 to 31 March 2023. It was reported that a surplus of £1.9m has been achieved through a reduced need to carry out temporary borrowing due to high cash balances as well as increasing interest rates earned on the Council's investments.

In addition, the report also sets out the Quarter 1 performance for 2023/24 which forecast an underspend of £665k due to the increase in interest rates.

Members were reminded that as part of the financial strategy supporting the development of the 2023/24 budget, the Council in November 2022 had approved a revision to its self-imposed debt threshold and the two main drivers for extending the debt threshold at that time were set out.

The current report, however, recommended reduction of the debt threshold to £755m based on the current committed level via the approved capital strategy, plus a 5% variance which equated to approximately £30m. The 'Revised Treasury Indicators : limits to borrowing activity' were set out in Table 10 of the report. It was reported that the revised approach would not reduce the ambition of the Council but was intended to strengthen governance and improve the transparency around any new significant business cases although it was noted that extra procedural process may extend the timeline for business case.

The Committee reviewed the schedule of approved capital schemes and known commitments and, in response to questions on specific schemes, assurance was provided that the movements in projects and items on the schedule were kept under constant review and that changes would feature in any future updates to the Committee.

RESOLVED that Audit and Governance Committee

- a) notes the reported activity of the Treasury Management function for 2022/23;**
- b) notes the reported activity of the Treasury Management function for April to June of 2023/24;**
- c) notes and endorses the update on borrowing set out in paragraph 20 of the report to the Audit and Governance Committee on 27 July 2023.**

Voting: Unanimous

RECOMMENDED TO COUNCIL that the revised prudential indicators set out in table 10 of the report to the Audit and Governance Committee on 27 July 2023 be approved.

Voting: Unanimous

9. Risk Management – Corporate Risk Register Update

The Risk and Insurance Manager presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'B' to these Minutes in the Minute Book.

The report provided an update for the Committee on the position relating to the Council's Corporate Risk Register. Material updates during the Quarter were summarised for the Committee. It was reported that the title of Risk CR4 (Loss or disruption to IT Systems and Networks from cyber attack) had been updated to better articulate the risk. In accordance with normal practice, Risk CR8 (Inability to run an election/referendum) had been removed during the Quarter following completion of the election period in May. Risk CR11 (Ability of the Council to function and operate efficiently in the delivery of single services across the area of BCP) was reported to have been removed from the Corporate Register for consideration at service risk level. Risk CR14 (Continuity of Public Health arrangements for health protection) would be the subject of further report as it was currently undergoing a refocus. Risk CR15 (Effective People Strategy) had been reviewed and the net risk score updated to reflect the impact of the deferment of the Pay and Reward programme.

In response to questions, the process of adding new risks was described including through the process of environmental scanning and Officer and elected Member discussion. The inclusion of risks additionally also took place through specific identification by the Audit and Governance Committee itself. It was explained that, at the level below the Corporate Risk Register, there were Service Risk Registers into which risks removed from the corporate list would be placed and, with involvement of the Risk Management team, these would continue to be reviewed and discussed as part of routine service risk review.

The Committee received an update on the ongoing subject of the 'Dedicated Schools Grant Deficit' (Corporate Risk CR9) and the update included outline details of an invitation for the Council to be involved in a Central Government initiative to address the issue and regular updates would be provided to the Committee as progress was made. In response to specific questions, updates would be separately provided to Members on Corporate Risks CR11 (Single service delivery across the area of BCP) and CR 19 (Planning application determination).

To enable new Members of the Committee to better understand the context of the risk and appreciate the dynamic nature of the Register, a risk history summary of the previous year would also be prepared for issue to Members.

RESOLVED that Members of the Audit and Governance Committee note the update provided in this report relating to corporate risks.

Voting: Unanimous

10. Appointment of Independent co-opted members to Audit and Governance Committee

The Head of Audit and Management Assurance presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'C' to these Minutes in the Minute Book.

It was explained that, although not a legislative requirement, best practice and a '2022 position statement' by the Chartered Institute of Public Finance & Accountancy (CIPFA) endorsed by the Department for Levelling Up, Housing and Communities recommended that audit committees in Local Government should include at least two co-opted independent members.

Informal discussions, including at a recent BCP Council Audit and Governance Committee induction event, had shown widespread support for the principle of co-opted independent members. Consideration was given to the range of local decisions required to enable suitable recruitment through open advertisement, of independent persons, to the BCP Council Audit and Governance Committee with the aim of being in a position to make two independent member appointments later in the current calendar year.

Members were supportive of the proposal and there was reference to the benefits which stemmed from the Independent Person roles and functions already in place within the Standards Committee. The Committee also underlined the potential for helping with continuity by ensuring that the term of appointment of the independent members was such as to enable the appointments to straddle the date of the four-yearly BCP Council elections. This would be achieved by the allowing the initial period of appointment to run for slightly longer than two years concluding on 31 March 2026 with an optional further two years thereafter.

RESOLVED that

- a) Two independent members be co-opted to the BCP Council Audit and Governance Committee;**
- b) The term of appointment be for an initial period ending at the close of the municipal year 2025/26 on 31 March 2026 with an option thereafter for a further two years if mutually agreed;**
- c) An initial allowance of £1,084 per annum for each independent member is agreed with this initial figure subject to review by the Council's Independent Remuneration Panel, with any changes being backdated should this be recommended and agreed by the Remuneration Panel;**
- d) A selection and recruitment panel be created, comprising of the Chair of the Audit and Governance Committee and two other**

Audit and Governance Committee elected Members (supported by the Head of Audit and Management Assurance);

- e) Following the recruitment process, a report from the recruitment panel be presented to the next available Audit and Governance Committee, outlining the process and the panel's recommendations. This report to be endorsed by the Audit and Governance Committee and a formal recommendation agreed for consideration by full Council;**
- f) In accordance with BCP Council policies, Audit and Governance Committee delegate to the Head of Audit and Management Assurance, in consultation with the Chair of Audit and Governance Committee, any changes to the role profile and person specification required and the operational details associated with recruitment, shortlisting and interviews.**

Voting: Unanimous

11. Internal Audit - 1st Quarter, 2023/24, Audit Plan Update

The Head of Audit and Management Assurance presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'D' to these Minutes in the Minute Book.

It was reported that the 2023/24 Internal Audit Plan, including the Core Audit Plan and Anti-Fraud and Corruption Plan, had been developed, including detailed plans for Quarter 1 and 2 and it was explained that a report in the same format for the appropriate quarter period would be received at every core Audit and Governance Committee meeting.

The Committee was advised that there were currently vacancies in the Internal Audit Team and that recruitment of three apprentices was underway to address this. As a result, the high-level Resource and Allocation Plan presented to Audit and Governance Committee in March 2023 had been revised, resulting in 260 less planned days on Core Audit and Assurance Work for this year only although the Committee was informed that work was being targeted towards key risk areas as much as possible.

The reduction of 16% did present a significant challenge for the Chief Internal Auditor to provide both sufficient good quality in-year assurance and a similarly robust overall year end opinion. Through a range of contributing adjustments and actions, such as risk-based prioritisation, flexibility and goodwill of the internal audit team, reasonable use of alternative forms of assurance and other tactics, it was, however, anticipated that these challenges could be managed in the short term.

Progress made on delivery of the 2023/24 Audit Plan for the period April to June 2023 (inclusive) highlighted that five audit assignments had been completed with four 'Reasonable' and one 'Partial' audit opinions. Sixteen audit assignments were reported to be in progress. Eleven high priority

recommendations had not been implemented by the initially agreed target date and these were reported to Audit and Governance Committee as required by the Audit Charter.

Some work undertaken during the Quarter related to completion of the 2022/23 Audit Plan, in cases where audits straddled the financial year end of 2022/23 and the start of 2023/24. It was explained that the 'Chief Auditor's Annual Report 2022/23' contained the outcome of this work which would be reported separately to the Committee.

The Committee noted particularly that, the investigation of Commercial Operations on the Seafront (Review of Pop-Up / Temporary Activities Incorporating Bayside Restaurant) was ongoing and that, once concluded, the full report of the investigation would be made available to the Committee.

RESOLVED that Audit and Governance Committee

- a) notes the changes to the High-Level audit resource plan;**
- b) notes the recruitment plans underway to address vacancies;**
- c) notes the audits planned for Quarter 2;**
- d) notes progress made and issues arising on the delivery of the 2023/24 Internal Audit Plan;**
- e) notes the explanations provided (Appendix 1 - High Priority recommendations where the original target date for implementation was not met)**

Voting: Unanimous

12. Annual review of Declarations of Interests, Gifts and Hospitality by Officers for 2022/23

The Head of Audit and Management Assurance presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'E' to these Minutes in the Minute Book.

The Committee was reminded that an annual review and update of the Council's Declaration of Interests, Gifts & Hospitality (for officers) Policy took place in February 2023 and the revised policy was approved by Audit and Governance Committee on 16 February 2023. As a result, some changes were made to the Policy including a clearer statement that the Council required all employees to consider their specific job role, not just their Council employment and personal circumstance, when deciding whether to make a declaration. Guidance was also added on giving and receiving donations and sponsorship.

Through the completion of recent exercises, Internal Audit were able to provide reasonable assurance that officers had made appropriate declarations of interests, gifts and hospitality.

It was also confirmed that there had been no internal or external identified instances, whistleblowing or reports by any other means where an undeclared interest by officers had led to any disciplinary action or led to reputational damage.

It was reported that of the 120 Council 'tier 4' officers required to provide a declaration (including a 'nil' declaration where applicable) there were only four declarations remaining outstanding and these were being actively pursued. A plan was also in place for implementation in September to consolidate and re-enforce existing mandatory training regimes in place across the Council.

Members were reminded that the Code of Conduct for Councillors provided parallel requirements for registration of interests and declaration of gifts by elected Members.

RESOLVED that Audit and Governance Committee notes the annual review of Declarations of Interests, Gifts & Hospitality by Officers (2022/23).

Voting: Unanimous

13. Use of Regulation of Investigatory Powers Act (RIPA) and Investigatory Powers Act (IPA) Annual Report for 2022/23 financial year

The Head of Audit and Management Assurance presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'F' to these Minutes in the Minute Book.

It was reported that, following an annual review process, the Regulation of Investigatory Power Act (RIPA) and Investigatory Powers Act (IPA) Policy had been updated with some minor changes to include reference and links to Home Office Code of Practices for Covert Surveillance and Property interference (Aug 2018), Interception of Communications (Dec 2022) and Covert Human Intelligence Sources (Dec 2022) and other relevant legislation.

It was confirmed that BCP Council had not made use of powers under RIPA or IPA during the 2022/23 financial year and that BCP Council had completed and sent its statutory nil-return for the 2022 calendar year to the Investigatory Powers Commissioner's Office (IPCO).

RESOLVED that Audit and Governance Committee notes that the Council has not made use of powers under the Regulation of Investigatory Powers Act or the Investigatory Powers Act during the 2022/23 financial year.

Voting: Unanimous

14. Annual Breaches & approved Waivers of Financial Regulations Report for 2022/23

The Head of Audit and Management Assurance presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'G' to these Minutes in the Minute Book.

The Committee received a report of breaches and waivers of Financial Regulations (the Regulations) during the 2022/23 financial year. The Chief Finance Officer, or his formally delegated representatives, was reported to have agreed 47 waivers totalling £3.2m. Individual waivers were set out in the appendix to the report and the number of agreed waivers had dropped reassuringly in comparison to the, exceptional, covid-impacted year of 2021/22. In addition, significantly less Council expenditure was now subject to an approved waiver, which meant that a greater part of Council total expenditure was subject to the full requirements of the Council's Financial Regulations.

Breeches of financial Regulations were also reported for the Committee and, whilst no breeches at all was accepted as the preferable position, the relatively low number of breaches suggested a good level of understanding of the requirements. Arrangements were also reported to be in place to detect instances of possible non-compliance and a robust programme of training was also currently being delivered targeting initially high risk areas but with the aspiration to spread training wider across the Council.

In response to questions about a specific breach within the Destination and Culture area (Br11), the Committee was advised that investigations were underway and the outcomes, once clear, of that investigation would be specifically reported to the Committee.

RESOLVED that the Audit and Governance Committee notes the breaches and waivers of Financial Regulations that occurred during 2022/23.

Voting: Unanimous

15. Chief Internal Auditor's Annual Opinion Report 2022/23

The Head of Audit and Management Assurance presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'H' to these Minutes in the Minute Book.

The Committee was reminded of the requirement under the Public Sector Internal Audit Standards 2017 (PSIAS) for the Chief Internal Auditor to make an Annual Report and Opinion for BCP Council and specifically the Head of Audit and Management Assurance, in his role as Chief Internal Auditor, was required to report on the adequacy and effectiveness of the internal control environment and on compliance by the Internal Audit

Section to the PSIAS.

Accordingly, it was the opinion of the Chief Internal Auditor that during the 2022/23 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 generally 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
- 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".

The Committee and the Portfolio Holder recorded their thanks and appreciation of the work of the Head of Audit and Management Assurance and of the whole of the Internal Audit Team. It was also noted that this had been achieved within the context of the impact of staffing vacancies although the impact was not at a point at which there would be significant reportable impact on performance

RESOLVED that the Audit and Governance Committee notes the Chief Internal Auditor's Annual Report and Opinion on the overall adequacy of the internal control environment for BCP Council.

Voting: Unanimous

16. Annual Governance Statement (AGS) 2022/23 and Annual Review of the Local Code of Governance

The Head of Audit and Management Assurance presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'I' to these Minutes in the Minute Book.

The Committee was reminded of the provisions of the Accounts and Audit Regulations 2015 (as amended by the Accounts and Audit (Amendment) Regulations 2022) requiring Councils to produce an Annual Governance Statement (AGS) to accompany its Statement of Accounts. The range of various sources from which the AGS was compiled were set out and explained. The draft AGS had been published as part of the Statement of Accounts statutory public inspection period from 01 June to 14 July 2023,

during which time the public had the right to inspect, make objection, or ask the external auditor questions about the accounts. Although none were reported to have been received, an individual had made it known to the Council that they may still wish to make formal comment. The AGS would also be subject to formal audit by the external auditor.

The AGS concluded that BCP Council “has effective and fit-for-purpose governance arrangements in place in accordance with the governance framework” and that overall governance arrangements were considered sound.

It was reported that, after considering all the sources of assurance (for governance arrangements), BCP Council Corporate Management Board had identified that the following significant governance issues existed:

- BCP Council Assurance Review
- Dedicated Schools Grant
- BCP FuturePlaces Ltd
- Delay in the completion of the 2021/22 External Audit
- Mandatory Training

An action plan to address these significant governance issues had been produced and was being implemented. An update against the action plan would be brought to Audit and Governance Committee in January 2024.

The Committee noted that the number of, largely national and external, issues which had caused delay to completion of external audits were now substantially resolved and that the external auditors were now making good progress with current audits. The Committee were also informed that a Central Government assurance review of BCP Council had been recently carried out and the results, expected imminently, were likely to give rise to a need for further amendment of the AGS.

The Local Code of Governance had been amended to reflect the evolution of the Council’s governance arrangements and to keep pace with the Council’s changing governance arrangements and framework as required. The latest amendments were minor in nature although it was noted that the reconvened Constitution Review Working Group was likely to make further contribution in this area.

RESOLVED that

- a) The ‘pre-audited’ Annual Governance Statement 2022/23 is approved;**
- b) The annual update of Local Code of Governance is approved. If in-year material amendments are required, the Head of Audit and Management Assurance is delegated to make these in consultation with the Chair of the Audit and Governance Committee and the Leader of Council.**

Voting: Unanimous

17. Appointment of the Constitution Review Working Group

The Head of Democratic Services presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'J' to these Minutes in the Minute Book.

The Constitution Review Working Group had been in place since 2020 and had proved an effective way of discharging the Committee's responsible for maintaining an overview of the Council's Constitution and governance arrangements through initial review of the Constitution, consideration of matters raised by Councillors and making recommendations to Audit and Governance Committee and to Council.

The Working Group has previously focused on the content, interpretation and operational implementation of the Constitution although the Constitution also defined how the Council decision-making operates including through regulatory committees, overview and scrutiny functions and executive arrangements. The Committee was advised that it would therefore be appropriate for the Working Group to consider requests and make recommendations for changes to these matters and the overall governance model of the Council.

The Working Group would meet as required to consider changes to the Constitution and continue the successful process of consulting where necessary with internal stakeholders including the wider Council membership and specific stakeholder Members and Officers and recommending changes to the Audit and Governance Committee. The Working Group may also consider evidence and best practice from other local authorities.

RESOLVED that

- (a) the Constitution Review Working Group be established with the remit as described and comprising five Councillors, including the Chair and Vice-Chair of the Audit and Governance Committee plus three other Councillors;**
- (b) in addition to the Chair and Vice-Chair of the Audit and Governance Committee, Councillors Beesley, Castle and Phipps be appointed to the Working Group and that meetings take place using the virtual meeting format;**
- (c) initially the Working Group meet as necessary in order to be in a position to report to the next meeting of the Committee in September.**

Voting: Unanimous

18. Forward Plan - Refresh for the 2023/24 municipal year

The Head of Audit and Management Assurance presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'K' to these Minutes in the Minute Book.

The report set out the list of reports to be considered by the Audit and Governance Committee for the 2023/24 municipal year in order to enable it to fulfil its terms of reference. The list additionally included a number of 'extra' meeting dates where there was the opportunity, if required, to identify subjects for in-depth discussion and the Committee was of the view that this approach had worked well in the previous Council.

Members of the Committee were invited to raise suggestions for items for in-depth discussion with the Chair (and copy to Vice-Chair). The Chair would then also consider, in discussion with the Head of Audit and Management Assurance, the best way in which to seek additional items from the wider Council membership.

In addition to a report from the Constitution Review Working Group there was then possibility of receiving a report from the external auditor at the meeting on 07 September 2023. Officers were also asked to consider whether it would be possible to consider arranging for the Treasury Management training with external treasury adviser involvement to also take place on that date.

In the meantime, it was explained, for the benefit of new Members on the Committee, that external audit met regularly with Officers and with the Portfolio Holder for Finance and that the working relationships developed in the previous Council were expected to continue.

RESOLVED that the Audit and Governance Committee approves the Forward Plan set out at Appendix A.

Voting: Unanimous

The meeting ended at 8.22 pm

CHAIRMAN

This page is intentionally left blank

AUDIT AND GOVERNANCE COMMITTEE



| Report subject | External Audit - Auditor's Annual Report 2021/22 & 2022/23 (Value for money arrangements report) | | | | | | | | |
|---|--|----------|-----------------|--------------------------|---|------------|---|---|--|
| Meeting date | 7 September 2023 | | | | | | | | |
| Status | Public Report | | | | | | | | |
| Executive summary | <p>The External Auditor, Grant Thornton for BCP Council, is required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness its use of resources.</p> <p>Auditors are required to report their commentary under specific criteria, namely financial sustainability, governance and improving economy, efficiency and effectiveness. They are required to report on any significant weaknesses they identify.</p> <p>The External Auditor has produced a 2021/22 and 2022/23 Annual Report which has identified the following weaknesses:</p> <table> <tr> <th>Criteria</th><th>Risk assessment</th></tr> <tr> <td>Financial sustainability</td><td>Risks identified relate in the main due to uncertainties in relation to the Councils Medium Term Financial Plans and associated transformation programme and delivery of savings.</td></tr> <tr> <td>Governance</td><td>Significant risks identified in Governance in relation to leadership, partnerships and the Transformation programme</td></tr> <tr> <td>Improving economy, efficiency and effectiveness</td><td>Risk identified because of the inadequate rating issued by Ofsted in respect of children in care</td></tr> </table> <p>Five significant weaknesses have been identified and have resulted in 5 key recommendations being made.</p> <p>A further 13 improvement recommendations have been made. The Council has provided the External Auditor with management responses to all the recommendations.</p> <p>The External Auditor has made a contextual comment that the May 2023 election has resulted in a change of political administration and an apparent change in financial strategy which will set a new tone from the top and will be an opportunity to address some of the issue raised in their report.</p> | Criteria | Risk assessment | Financial sustainability | Risks identified relate in the main due to uncertainties in relation to the Councils Medium Term Financial Plans and associated transformation programme and delivery of savings. | Governance | Significant risks identified in Governance in relation to leadership, partnerships and the Transformation programme | Improving economy, efficiency and effectiveness | Risk identified because of the inadequate rating issued by Ofsted in respect of children in care |
| Criteria | Risk assessment | | | | | | | | |
| Financial sustainability | Risks identified relate in the main due to uncertainties in relation to the Councils Medium Term Financial Plans and associated transformation programme and delivery of savings. | | | | | | | | |
| Governance | Significant risks identified in Governance in relation to leadership, partnerships and the Transformation programme | | | | | | | | |
| Improving economy, efficiency and effectiveness | Risk identified because of the inadequate rating issued by Ofsted in respect of children in care | | | | | | | | |
| Recommendations | <p>It is RECOMMENDED that Audit & Governance Committee notes:</p> <ul style="list-style-type: none"> The findings, recommendations and management comments in relation to the External Auditor's Annual Report 2021/22 and 2022/23 (Value for Money arrangements report). | | | | | | | | |

| | |
|----------------------------|--|
| | <ul style="list-style-type: none"> The unusual approach of reporting both the 2021/22 and 2022/23 years as an agreed pragmatic approach to resolve and 'catch-up' on recent historic delays within the external audit process. |
| Reason for recommendations | To ensure that the Audit & Governance Committee are fully informed of the findings of the Council's external auditor following their Annual Report for the years ended 31 March 2022 and 2023, as set out in the report (Appendix 1) attached. |
| Portfolio Holder(s): | Mike Cox, Portfolio Holder for Finance |
| Corporate Director | Ian O'Donnell, Corporate Director for Resources |
| Report Authors | Nigel Stannard nigel.stannard@bcpcouncil.gov.uk Head of Audit & Management Assurance (Chief Internal Auditor) |
| Wards | Council-wide |
| Classification | For Information |

Background




- Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), the external auditor is required to report whether, in their opinion, the group and Council's financial statements:
 - give a true and fair view of the financial position of the group and the Council and their income and expenditure for the year; and
 - have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.
- In addition, the external auditor is required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. External auditor's report their findings in this area in their Auditor's Annual Report sometimes referred to as the Value for Money conclusion, under the following three areas:
 - Financial Sustainability,
 - Governance
 - Improving Economy, Efficiency and Effectiveness
- Delays in the external auditing of local authorities, and indeed other public bodies, have been extensively reported both nationally and locally, to the BCP Council Audit & Governance Committee. Unusually, and to pragmatically resolve and 'catch-up' on some of the recent historic delays, Grant Thornton, the Council's external auditor, agreed with BCP Council that the 2021/22 and 2022/23 audit would be conducted in parallel and a single report covering both years would be produced.
- The Auditor's Annual Report (covering two years 21/22 and 22/23) is attached at Appendix 1. It sets out the findings of the Grant Thornton following their audit work to date. The external auditor emphasises that the report is open to revision to the point at which the 2021/22 or 2022/23 audits of the financial statements are concluded.
- Appendix 1 also includes the Council's management response to issues and recommendations made.

6. The 2021/22 audit of the Council's financial statements is on-going, as at 23 August 2023 Grant Thornton expect the audit to be concluded by the end of November at the latest. The timing of the 2022/23 audit of the Council's financial statements will be reviewed once the 2021/22 audit process is completed.

Auditor's Annual Report 2021/22 & 2022/23 - Value for Money arrangements and key recommendations

7. The conclusions of the external auditor are summarised as follows:

| Criteria | Risk assessment | 2021/22 Auditor Judgment | 2022/23 Auditor Judgment |
|---|---|--|--|
| Financial sustainability | Risks identified relate in the main due to uncertainties in relation to the Councils Medium Term Financial Plans and associated transformation programme and delivery of savings. | 2 Significant weaknesses in arrangements identified (SW1) and (SW2), 2 key recommendations and 4 improvement recommendations made. | 2 Significant weaknesses in arrangements identified (SW1) and (SW2), 2 key recommendations and 4 improvement recommendations made. |
| Governance | Significant risks identified in Governance in relation to leadership, partnerships and the Transformation programme | No significant weaknesses in arrangements identified, 7 improvement recommendations made | 1 Significant weaknesses in arrangements identified (SW3), 1 key recommendation and 7 improvement recommendations made |
| Improving economy, efficiency and effectiveness | Risk identified because of the inadequate rating issued by Ofsted in respect of children in care | 2 Significant weaknesses in arrangements identified (SW4) and (SW5), 2 key recommendations and 2 improvement recommendations made | 2 Significant weaknesses in arrangements identified (SW4) and (SW5), 2 key recommendations and 2 improvement recommendations made |

| | |
|---|---|
|  | No significant weaknesses in arrangements identified or improvement recommendation made. |
|  | No significant weaknesses in arrangements identified, but improvement recommendations made. |
|  | Significant weaknesses in arrangements identified and key recommendations made. |

8. The 5 significant weaknesses (SW) identified by the External Auditor results in the following key recommendations:

SW1 – Financial sustainability – Key Recommendation 1

The Council must

- Undertake an urgent review of the Transformation Programme. Our review found inherent weaknesses in the control and management of the programme, as well as the delivery of savings and management of costs.
- Ensure there is a robust methodology for monitoring and tracking operational and transformation savings and that reporting on actual performance against plan is more transparent.
- Ensure that the transformation programme is fully financed before further commitments to the programme are made.

SW2 – Financial sustainability – Key Recommendation 2

The Council must review the continued sustainability of Reserves and Balances and ensure the Medium-Term Financial plan (MTFP) demonstrates a realistic plan to replenish reserves and balance the budget gap in the medium term.

SW3 – Governance – Key Recommendation 3 (made for 2022/23 only)

The Council must not enter into high-risk and challenging projects without proper and full consideration of governance arrangements and ensure they are adhered to. Members must consider all advice from statutory officers and ensure they have best technical, professional and legal support before considering any high-risk and challenging projects.

SW4 – Economy, effectiveness and efficiency – Key Recommendation 4

The Council should continue to address the weaknesses identified by Ofsted, and the Department for Education (DfE) to ensure all children have access to quality services which meet their needs in a timely manner.

SW5 – Economy, effectiveness and efficiency- Key Recommendation 5

The Council must

- A) Ensure it has a robust decision making process in place for specific initiatives including the transformation programme, BCP FuturePlaces and other service delivery models as well as capital projects and small investments.
 - B) Ensure there is robust scrutiny and a sound business case for selling Council assets to fund the transformation programme. This should include a fit for purpose mechanism for developing a Business case, financial appraisal models, and sufficient programme management support to ensure programme objectives are identified, project plans are developed, objectives are delivered, and risk/reward and issues are identified and mitigated/enhanced.
 - C) Establish a regular cycle of reviewing business plans in relation to all high value and high-risk investments including its subsidiary companies such as BCP FuturePlaces.
9. In addition, thirteen improvement recommendations were made. (5 key + 13 improvement recommendation = 18 recommendations in total).
10. Management comments have been provided for all recommendations. Some of these comments may be enhanced given there has been limited time between receiving the report from External Auditor and the publication date for this Committee.
11. In the context of their report which is a look back at 2021/22 and 2022/23, the External Auditor has noted that the May 2023 local election, and the resulting change of administration, has led to some early indications of a change in approach to financial management. The External Auditor emphasises to the new administration, in their Executive Summary, the need to:
- Fundamentally review the Council's approach to financial sustainability.
 - Stocktake the transformation programme, what is deliverable at what cost.
 - Review current service provision to identify further savings to address the underlying deficit.

Options Appraisal

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

Summary of financial implications

13. A number of findings and recommendations directly relate to the financial sustainability of the Council and impact on future budget setting and MTFP development.

Summary of legal implications

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

Summary of human resources implications

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

Summary of sustainability impact

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

Summary of public health implications

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

Summary of equality implications

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

Summary of risk assessment

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

Background papers

None

Appendices

Appendix 1 – External Auditor – Auditor's Annual Report on Bournemouth, Christchurch and Poole Unitary Council 2021/22 & 2022/23

This page is intentionally left blank

Auditor's Annual Report on Bournemouth, Christchurch and Poole Unitary Council

25

2021/22 and 2022/23

31 August 2023



Contents

| Section | Page |
|--|------|
| Executive summary | 03 |
| Use of auditor's powers | 07 |
| Other Communications | 08 |
| Key recommendations | 09 |
| Commentary on the Unitary Authorities arrangements to secure economy, efficiency and effectiveness in its use of resources | 15 |
| Financial sustainability | 16 |
| Improvement recommendations | 24 |
| Governance | 26 |
| Improvement recommendations | 32 |
| Improving economy, efficiency and effectiveness | 37 |
| Improvement recommendations | 42 |
| Follow-up of previous recommendations | 43 |
| Opinion on the financial statements | 48 |
| Appendices | |
| Appendix A – Responsibilities of the Unitary Authority | 50 |
| Appendix B – An explanatory note on recommendations | 51 |
| Appendix C – Sources of evidence | 52 |
| Appendix D – Key acronyms and abbreviations | 53 |



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

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



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

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Executive summary



Value for money arrangements and key recommendations




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

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021/22 and 2022/23 are the second and third year respectively that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

This report reflects our findings and judgements as at August 2023, but remain open to revision whilst our 2021/22 and 2022/23 financial statements audits conclude. Our conclusions are summarised in the table below.

27

| Criteria | Risk assessment | 2021/22 Auditor Judgment | 2022/23 Auditor Judgment |
|---|---|--|--|
| Financial sustainability | Risks identified relate in the main due to uncertainties in relation to the Councils Medium Term Financial Plans and associated transformation programme and delivery of savings. | 2 Significant weaknesses in arrangements identified (SW1) and (SW2), 2 key recommendations and 4 improvement recommendations made. | 2 Significant weaknesses in arrangements identified (SW1) and (SW2), 2 key recommendations and 4 improvement recommendations made. |
| Governance | Significant risks identified in Governance in relation to leadership, partnerships and the Transformation programme | No significant weaknesses in arrangements identified, 7 improvement recommendations made | 1 Significant weaknesses in arrangements identified (SW3), 1 key recommendation and 7 improvement recommendations made |
| Improving economy, efficiency and effectiveness | Risk identified because of the inadequate rating issued by Ofsted in respect of children in care | 2 Significant weaknesses in arrangements identified (SW4) and (SW5), 2 key recommendations and 2 improvement recommendations made | 2 Significant weaknesses in arrangements identified (SW4) and (SW5), 2 key recommendations and 2 improvement recommendations made |

| | |
|---|---|
|  | No significant weaknesses in arrangements identified or improvement recommendation made. |
|  | No significant weaknesses in arrangements identified, but improvement recommendations made. |
|  | Significant weaknesses in arrangements identified and key recommendations made. |

Given the number of significant weaknesses reported across both years and the seriousness of the challenges facing the Council, we would expect to see significant improvements in arrangements going forward and do not rule out the need for a statutory recommendation in the future should arrangements not improve.

Executive summary



Financial sustainability

In our 2020/21 VFM report we concluded that the Council's arrangements for ensuring financial sustainability were not good enough. On this basis we concluded that the Council did not have arrangements in place for ensuring financial sustainability into the medium term.

Our 2021/22 and 2022/23 review of the arrangements in place to ensure financial sustainability into the medium term continues to raise serious concerns about the continued financial viability of the Council.

Despite delivering revenue surpluses in both 2021/22 and 2022/23 the Council has continued, in our view, to adopt a high-risk alternative funding strategy to deliver transformational efficiencies, minimise council tax increases and avoid significant cuts to services that is not achieving the desired outcomes. This high-risk approach, reliant on the use of reserves to support the budgets, has resulted in the further depletion of revenue reserves as expected efficiencies from the transformation programme are not realised in accordance with the original timetable and are pushed back into later years.

For both 2021/22 and 2022/23 we have reported 2 significant weaknesses (SW1 and SW2) in the Council's financial sustainability arrangements.

Firstly, in relation to the Council demonstrating a clear understanding and control of its medium-term financial gap. Our concerns centre on the Council's ability to set a credible and balanced Medium Term Financial Strategy that properly reflects the spending power at its disposal (SW1). Concern over the capacity of the Council to deliver services to the current level is driven by its ability to transform its service in the context of reduced reserves and balances, undelivered transformation and operational savings, increasing unit costs and service demand. Although it is difficult to gauge the true extent of transformational savings and efficiencies to date, it is clear that the transformation programme is not progressing at sufficient pace but is increasing rapidly in costs.

Secondly, we have reported a significant weakness (SW2) in respect of the Council's medium-term plans for its General Fund Balances and Earmarked reserves. Despite an increase in General Fund Reserves in 2022/23 the level of earmarked reserves continues to fall. The Council must continue to review the sustainability of Reserves and Balances and ensure the Medium-term Financial Strategy demonstrates a realistic plan to avoid further use of and ideally replenish reserves and balances to a healthier level.

On this basis we have concluded that for both 2021/22 and 2022/23 the Council does not have arrangements in place for ensuring financial sustainability into the medium term. We have also detailed 4 improvement recommendations for both years subject to review.



2021/22

As at the 31 August 2023 our work on the Council's 2021/22 financial statements are in progress. We anticipate concluding our work by the end of November 2023 at the latest.

2022/23

We will review the timing of our 2022/23 post-statements audit once the work on the 2021/22 financial statements is complete.



Executive summary



Governance

For 2021/22 we found no evidence of significant weaknesses in the Council's governance arrangements for ensuring decision making is based on complete and accurate information and risks are managed appropriately. However, although not explicitly identified from our work for 2021/22, we were aware of concerns regarding the decision making process in place at the Council, specifically overtly administration lead decision making that may not always have had sufficient regard to advice from statutory officers.

These concerns came to our full attention in 2022/23 as part of the 2023/24 revenue budget setting round. Concerns were raised by statutory officers in respect of possible late amendments to the indicative 2023/24 budget culminating in us needing to intervene an issue a formal letter to the Chief Executive and S151 Officer to ensure that decision making by the administration had proper regard to governance best practice.

Although this was not a formal use of our auditor statutory powers, we were sufficiently concerned over the possibility of late amendments without appropriate due diligence to take the unusual step of issuing this formal letter. On this basis we have concluded that there were, for 2022/23, significant weakness in the council's governance arrangements. In addition, we identified 7 improvement recommendations covering both years.



Improving economy, efficiency and effectiveness

As with our findings in 2020/21, we are also reporting a significant weakness in relation to Council's capacity to improve economy, efficiency and effectiveness in respect of children's services. In December 2021, the Inspectorate Local Authorities Services for children (ILACs) inspection concluded BCP Childrens Services were "inadequate". A statutory Direction was issued by the Department of Education (DfE). This inadequate rating remains in place for both years subject to review.

We have also identified a significant weakness in relation to the decision making on specific initiatives including the transformation programme, BCP FuturePlaces and other projects as well as capital projects, particularly pertaining to the process of scrutinising business cases. Further details are provided on pages 38-41.

We also made 2 improvement recommendations in relation to Case management of complaints and the Council Wide People Strategy covering both 2021/22 and 2022/23. Further details are provided on pages 38-41.

Executive summary



Assurance Review (March 2023) & Best Value Notice (August 2023)

Whilst this report raises significant concerns about Value for Money at BCP we recognise that the leadership team are fully sighted on the challenges at hand. The Chief Executive in his 'BCP Council Assurance Review' of March 2023 was very open about the failings around governance, decision making and the financial management. More recently the Council has received a Best Value Notice from DLUHC highlighting many of the issues we report in this and previous VFM reports.

Our ongoing discussions with senior officers and more recently with the new administration indicate a recognition that the Council now must fundamentally revisit its previous decisions and ensure that it changes the way it makes decisions going forward to ensure these concerns are addressed. For the Council to become innovative and forward-looking council, it must demonstrate it can:

- A) transform its services in a sustainable and realistic way,
- B) accommodate the needs of its stakeholders particularly in relation to Childrens Social Care
- C) improve decision ,making to ensure it appropriately considers the relative risks and rewards having regard to both current service provision but also its ability to provide continued services into the medium and long term.

New administration

We recognise, that since the May 2023 elections and following a change in administration, there have been some early indications of a change in the approach to decision making at the Council with a clear view that the Council can no longer continue on its current path and that a more prudent, cautious approach to governance and decision making is needed.

From a financial management perspective, we take assurances from the recent actions to mitigate some of the immediate financial challenges facing the Council, including confirmation that the Capitalisation Direction is no longer a consideration and provision being made for potential costs associated with the future role of BCP FuturePlaces. Importantly, the July 2023 MTFP update report to Cabinet provided a fundamentally rebased MTFP that now provides a better representation of the scale of the challenges facing the Council into the medium term along with a proposed financial strategy to bring the Council back onto a more sustainable footing. Whilst a good first step, the challenges of actioning the changes required should not be underestimated.

We are also encouraged by the recent decision by the new administration to review the transformation programme and BCP FuturePlaces and what is deliverable at what cost as well as a more detailed review of current service provision to identify further savings aimed at addressing the underlying deficit that has been masked to date through use of reserves and additional funding from Central Government during the Covid-19 pandemic.

Use of auditor's powers*

We bring the following matters to your attention:

| | 2021/22 | 2022/23 |
|---|------------------|------------------|
| Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly | We did not issue | We did not issue |
| Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view. | We did not issue | We did not issue |
| Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect. | We did not apply | We did not apply |
| Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: <ul style="list-style-type: none"> is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or is about to enter an item of account, the entry of which is unlawful. | We did not issue | We did not issue |
| Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body. | We did not issue | We did not issue |

* As the opinion audits for both 2021/22 and 2022/23 remain in progress, the table above reflects our positions at August 2023 and is subject to final considerations following completion of the financial statement audits.

Other communications

We bring the following matters to your attention:

| | 2021/22 | 2022/23 |
|--|---------|---------------|
| Letter to Chief Executive and Section 151 Officer [further detail is provided on page 26-27] | n/a | Letter issued |
| <p>Over the last 12 months we have maintained ongoing dialogue with both Chief Executive and Section 151 Officer, including regular meetings on the Council’s response to our 2020/21 VFM report finalised in September 2022. As part of a meeting in early January 2023 the S151 Officer alerted us to a potential late amendment to the indicative draft 2023/24 budget.</p> <p>Following further discussions with both the Chief Executive and S151 Officer we wrote to the Council on 10 February 2023 to raise concerns about the arrangements in place within the Council to set the 2023/24 budget to be approved at Full Council 21 February 2023. Although this was not a formal use of our auditor statutory powers, we were sufficiently concerned over the possibility of a late amendments to the then 2023/24 indicative revenue budget proposals worked up over the previous 6 months to warrant the issuing of this formal letter.</p> <p>Specifically, when the Council formally published its proposed budget for 2023/24 on 1 February 2023 there was no reference to any alternative proposals. Our subsequent discussions with statutory officers, review of the media coverage and press releases, did however, raised continued concerns over the possibility that even at that late stage in the budget setting process, that an alternative proposal from the Leader might be forthcoming. The press release dated 27 January 2023 included the following quote from the then Leader.</p> <p>“I will therefore be spending the time between now and our Full Cabinet meeting continuing our long standing workstream to find credible ways, which meet all the respective government guidelines, to raise more income, use our assets and work differently to realise our aspiration of keeping council tax in people’s pockets. Being successful in this endeavour would have the added impact of being able to continue to significantly increase our reserves, avoid some of the savings we’ve identified and invest in new priorities.’</p> <p>This raised several significant governance and financial sustainability issues. Firstly, from a governance perspective, any last-minute changes would have provided limited opportunities for officers to fully digest the impact of the changes and advise decision makers as to whether the change is in the best interest of the Council.</p> <p>Secondly, should any amendment have bee of an ‘innovative but higher risk’ proposal along the lines of others that have been attempted previously, then it would have been crucial, not least given the previous experiences, that proper due diligence was given to the risks and rewards and legality of such a decision. We therefore expressed our significant concern that any last-minute amendment would be introduced without appropriate advice and extra checks and balances to ensure it is in the best long-term interest of the Council.</p> <p>Of particular concern, was that despite concerns being expressed to the then administration from both the Chief Executive and S151 Officer this course of action remained on the table until the Full Council meeting in February 2023.</p> <p>Ultimately, no such significant high-risk alternatives were put forward and the 2023/24 budget went through Full Council broadly as proposed. This episode does, however, highlight some of the concerns around decision making and governance highlighted in the governance section of or report.</p> | | |

32

Key recommendations

In relation to significant weakness (SW1) Financial Sustainability



Recommendation 1 The Council must

- A) Undertake an urgent review of the Transformation Programme. Our review found inherent weaknesses in the control and management of the programme, as well as the delivery of savings and management of costs
- B) Ensure there is a robust methodology for monitoring and tracking operational and transformation savings and that reporting on actual performance against plan is more transparent
- C) Ensure that the transformation programme is fully financed before there are further commitments to the programme are made.

Audit year

2021/22 and 2022/23

Why/impact

A) The cost of the transformation programme has increased from £37.6 in 2021/22m to £57.4m by 2023/24 (53% increase). There has been a lack of transparency as to the factors driving this, and the council has not detailed any mitigations or re-scoping of the programme to address increased costs. Further transformation programme savings for 2023/24 (£9m) and 2024/25 (£15m) have not been itemised and crystallised into delivery plans. It should further be noted that transformation savings are based on the KPMG report 2019. These figures should be revisited and re-appraised given increased inflation, and supply chain pressures.

B) Further the 2024/25 Medium-term Financial Plan (MTFP) relies heavily on the delivering an already ambitious savings plan. If this is not achieved, the council will need to resort to reserves and balances. It is not clear from in-year and outturn financial reporting which savings have been delivered against budget and the impact on service delivery. This makes it difficult for decision makers to fully understand the performance of the Council in generating savings and the impact on service delivery. We recognise that savings plans were overtaken by events in both 2021/22 and into 2022/23 but this area of reporting will become more critical as the transformation programme advances.

C) In the context of the Council's overall financial position and its financial sustainability, it is imperative that the Council can generate sufficient capital receipts to finance the transformation programme over the 3-year period to 31 March 2025. The current MTFP 2023/24 assumes sufficient sale will be delivered in 2022/23 to avoid all but £1.916m of the capitalisation direction from DLUHC. This is the element which relates to improvement expenditure on children's services which would not qualify to be funded by the Flexible Use of Capital Receipts. However, there is still a key risk to the Council in respect of any expenditure which it intends to incur before the actual capital receipts required to fund it are delivered. In 2023/24 the council intends to spend £28.39m of transformation expenditure. The MTFP for 2023/24 indicates that it will be challenging to deliver at least £4.3m of the £7.4m originally assumed 2022/23 asset sales, exposing the Council to the risk that reserves will be required to cover the shortfall.

Management Comments

In response to the recommendations of the independent governance review the Council has already committed to review its Transformation Programme and to agree a realistic and deliverable programme. In support of this the July 2023 Cabinet report removed all assumptions around previous savings, transformation or otherwise, and to agree the principle that only evidenced based savings established based on robust delivery plans are to be included moving forward.

Previous budget reports transparently set out the annual movements in the budget for the transformation programme, and the 2022/23 financial outturn report to July 2023 Cabinet provided a specific separate appendix outlining financial performance against budget.

Key recommendations

In relation to significant weakness (SW2) Financial Sustainability



Recommendation 2

The Council must review the continued sustainability of Reserves and Balances and ensure the Medium- term Financial Plan (MTFP) demonstrates a realistic plan to replenish reserves and balance the budget gap in the medium term

Audit year

2021/22 and 2022/23

Why/impact

The council has an underlying deficit driven by the desire to not cut services and minimise council tax increases combined with a delay in transformation programme savings realisation. Despite delivering revenue surpluses in both 2021/22 and 2022/23 it has used £96m in reserves to support the last three years approved budgets (£30m 2021/22, £36m 2022/23 and £30m in 2023/24). We do not consider this a long-term solution to addressing the Councils medium term financial issues. The Council’s current un-ringfenced general reserves balance as at 31 March 2023 were £17.9m. The Dedicated Schools Grant (DSG) deficit as at March 2023 was £37m which was currently greater than the Council’s un-ringfenced general reserves balance. Further the 2024/25 MTFP relies heavily on the delivering an already ambitious transformation and savings programme. If this is not achieved, the council will need to resort to reserves and balances further depleting them.

Management Comments

The July 2023 MTFP Update report removed all assumptions of previous savings, transformation of otherwise from the MTFP, in addition in each and every year of its existence since 2019 it has thorough its dynamic financial management achieved a positive or better outcome compared to the budget set.

The MTFP assumes that unearmarked reserves will be maintained at the 5% minimum level with an annual contribution of £700k per annum to take account of the increasing cost base.

An accumulating deficit on the DSG is a concern consistently referenced in the budget reports and s25 statements of the s151 Officer. It should therefore be seen as positive that the Council have accepted an invitation to be part of the Department for Education Safety Valve Mechanism.



Key recommendations

In relation to significant weakness (SW3) Governance



Recommendation 3

The Council must not enter into high-risk ambitious and challenging projects without the proper and full consideration of governance arrangements and ensure they are adhered to. Members must consider all advice from statutory officers and ensure they have the best technical, professional and legal support before considering any high-risk and challenging projects.

Audit year

2022/23

Why/impact

In February 2023 the Council formally published its proposed budget for 2023/24. This budget had been set in line with a more traditional approach to budget setting than previous years (i.e. the beach huts proposal when setting the 22/23 budget). This budget was based on, from our perspective, a more prudent and less risky approach to budget setting and medium-term financial planning, predicated on the use of the maximum increase in Council Tax permitted and a detailed (albeit challenging) savings plan. However, from conversations with the Section 151 Officer and Chief Executive we were made aware that the Administration was considering a late amendment to the indicative budget proposals, and it was a potentially high-risk amendment that would be brought forward. It appeared that this late amendment was being driven forwards by the then-Leader of the Council who made it clear in a press release in late January 2023 that they would be working on ways to increase income and use assets to generate additional income for the Council and reduce the burden on the Council Taxpayer through a reduced uplift in Council Tax for 2023/24.

Management Comments

As referenced this approach was driven by the then Leader who was looking to test the boundaries of Treasury Orthodoxy. The current administration’s approach is a more prudent one based on traditional and conventional approaches to local government finance.

Key recommendations

In relation to significant weakness (SW4) Economy, effectiveness and Efficiency



Recommendation 4 The Council should continue to address the weaknesses identified by Ofsted, and the Department for Education (DfE) to ensure all children have access to quality services which meet their needs in a timely manner.

Audit year 2021/22 and 2022/23

Why/impact The November 2020 findings of a focussed Ofsted inspection of the Council’s children’s services identified significant failings. A further inspection in December 2021, identified that although some progress had been made There remained too many areas where progress has been neither sufficiently swift nor decisive. Since then, there have been 3 monitoring visit one in June 2022 , a second between the 4 and 5 October 2022 which concluded too many children in the Council were not being kept safe and a third on 21 and 22 March which reported that quality assurance of social work practice continues to improve, however the direct impact on children’s lives was yet to be fully realised.

A new DfE Advisor and Sector Led Improvement partner (SLIP) was appointed by the DfE to create a strong framework and to guide the necessary improvements, whilst supporting the Council and Children’s Services. The DfE intervention did not involve a formal commissioner role but did imply that structural governance of the service was an immediate issue. The DfE steer throughout has been if progress is not effective in the short term, structural intervention, such as a Children’s Trust could not be ruled out. The DfE Advisor made it clear in his first report, that there were two critical areas following his assessment for improvement, these included: The state of the services themselves and corporate and political context in which the service operates. Although there has been some improvement in the service, there is still evidence of significant weaknesses in the Council’s arrangements for ensuring that it makes informed decisions and properly manages risks in relation to its Children Services.

Management Comments Improving Children’s Services continues to be a priority for the Council as evidenced not just by the extra resources allocated in February 2023 but also the improvement and transformation resources that Cabinet in July 2023 agreed to recommend to Council.

These resources have supported the latest feedback which has indicated a positive direction of travel and green shoots of recovery.

Key recommendations

In relation to significant weakness (SW5) Economy, effectiveness and Efficiency



Recommendation 5

The Council must

- A) Ensure it has a robust decision making processes in place for specific initiatives including the transformation programme, BCP FuturePlaces and other service delivery models as well capital projects and small investments. The council must
- B) Ensure there is robust scrutiny and a sound business case for selling Council assets to the fund the transformation programme, This should include a fit for purpose mechanism for developing Business Case, financial appraisal models , and sufficient programme management support to ensure programme objectives are identified, project plan are developed, objectives are delivered, and risk /reward and issues are identified and mitigated/enhanced.
- C) Establish a regular cycle of reviewing business plans in relation to all its high value and high-risk investments including its subsidiary companies such as BCP FuturePlaces.

Audit year

2021/22 and 2022/23

Why/impact

There have been a numerous concerns in relation to the transformation programme in both the context of costs and delivery of savings. The management of the programme needs to be improved and tangible plans detailing key milestones, and key deliverables need to be circulated to members for scrutiny.

Although the current level of debt held by the Council is significant below the debt threshold it remains critical that any proposals to take on additional debt are robustly scrutinised to ensure they are affordable, prudent, and sustainable. Debt repayment is the first call on any resources generated by the Council, even before the provision of statutory services. Further debt should only be supported where the project is self-funding and is affordable, prudent, and sustainable or would significantly reduce the annual operating expenditure of the Council or generate significant inward investment via government funding.

Any disposal of assets must have a supporting business case and justification. The concern is that Value for money decisions are unlikely given pressure to fund the transformation programme. Whilst there is an immediate need to sell council assets to fund the transformation programme, the council must ensure Value for Money and sound decision making.

The Council does not have a clear business plan for BCP Future Places Ltd and its expectations of how the company would help deliver the Council's regeneration programme. Further there was evidence of scope creep in current projects, and a lack of Council led commissioning in relation the company.

Management Comments (continued on next page)

In response to the recommendations of the government's independent governance review the Council has committed to agree a business plan for BCP FuturePlaces Ltd setting out a clear portfolio of priority projects with a timescale for delivery.

Key recommendations

In relation to significant weakness (SW5) Economy, effectiveness and Efficiency

Management Comments
continued

In addition, it should be noted.

- The Chief Executives internal governance review put in place an action to accelerate the governance review of BCP FuturePlaces Ltd and to review the funding model. This recommendation will be further supported by a governance review of all subsidiary companies.
- Council in September 2023, via a recommendation from a July 2023 Audit & Governance Committee, will be asked to agree an almost 50% reduction in the Council's debt threshold.
- All investment decisions are supported by robust business cases. Any asset disposal are first considered by an internal Corporate Property Group which consider the business case and alternatives before then being considered by a cross party asset disposal member working group.

Securing economy, efficiency and effectiveness in the Unitary Authorities use of resources

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

Unitary Authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

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

39

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



Financial Sustainability

Arrangements for ensuring the Unitary Authority 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).



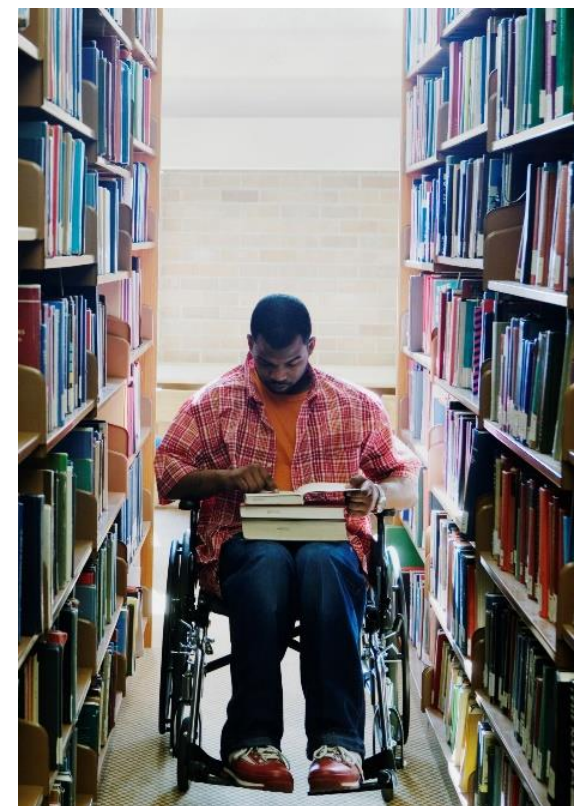
Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on the Unitary Authorities arrangements in each of these three areas, is set out on pages 16 to 42.

Financial sustainability



We considered how the authority:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial sustainability

In September 2022 we issued our Auditor's Annual Report for 2020/21 setting out our assessment of the BCP's arrangements to deliver Value for Money (VFM). This report concluded that in our view, 'the Council's current arrangements for ensuring financial sustainability were not good enough'. The report went on to say that as of September 2022 "The Council's current financial plans are predicated on a high-risk alternative funding strategy to deliver transformational efficiencies and avoid significant cuts to services. There is currently an absence of alternative strategies to balance the books into the medium term should this high-risk strategy not be deliverable." On this basis we concluded that the Council did not have adequate arrangements in place for ensuring financial sustainability into the medium term.

This VFM report is for combined years and covers the period 2021/22 and 2022/23. Our 2021/22 and 2022/23 review of the Council's arrangements to ensure financial sustainability into the medium term continue to raise serious concerns about the continued financial viability of the Council.

Despite delivering revenue surpluses in both 2021/22 and 2022/23 the Council has continued, in our view, to adopt a high-risk alternative funding strategy to deliver transformational efficiencies, minimise council tax increases and avoid significant cuts to services that is not achieving the desired outcomes. This high-risk approach, reliant on the use of reserves to support the budgets, has resulted in the further depletion of revenue reserves as expected efficiencies from the transformation programme are not realised in accordance with the original timetable and are pushed back into later years.

We recognise, that since the May 2023 elections and following a change in administration, there have been some early indications of a change in the approach to financial management. We now encourage the new administration to fundamentally review the Council's approach to financial sustainability to include

a stock take of the transformation programme and what is deliverable at what cost as well as a more detailed review of current service provision to identify further savings aimed at addressing the underlying deficit that has been masked to date through additional funding from Central Government during the Covid-19 pandemic.

For both 2021/22 and 2022/23 we have reported 2 significant weaknesses (SW1 and SW2) in the Council's financial sustainability arrangements.

Firstly, in relation to the Council demonstrating a clear understanding and control of its medium-term financial gap. Our concerns centre on the Council's ability to set a credible and balanced Medium Term Financial Strategy that properly reflects the spending power at its disposal (SW1). Concern over the capacity of the Council to deliver services to the current level is driven by its ability to transform its service in the context of reduced reserves and balances, undelivered transformation and operational savings, increasing unit costs and service demand. Although it is difficult to gauge the true extent of transformational savings and efficiencies to date, it is clear that the transformation programme is not progressing at sufficient pace but is increasing rapidly in costs (mainly driven by staff and redundancy costs).

Secondly, we have reported a significant weakness (SW2) in respect of the Council's medium-term plans for its General Fund Balances and Earmarked reserves. Despite an increase in General Fund Reserves in 2022/23 the level of earmarked reserves continues to fall. The Council must continue to review the sustainability of Reserves and Balances and ensure the Medium-term Financial Strategy demonstrates a realistic plan to avoid further use of and ideally replenish reserves and balances to a healthier level.

On this basis we have concluded that for both 2021/22 and 2022/23 the Council does not have arrangements in place for ensuring financial sustainability into the medium term. We have also detailed 4 improvement recommendations for both years subject to review.

Financial sustainability

Financial Performance 2021/22

The 2021/22 budget and MTFP was approved by Council in February 2021 following extensive internal and external consultation. It included several potential risks.

One related to the harmonisation of Council Tax on 1st April 2022, 2 years after the creation of BCP. A Council Tax increase of 1.55% was applied, compared to the 4.99% maximum permitted. The allowable 3% social precept increase was deferred until 2022/23.

The MTFP noted increasing pressures in relation to Adult Social Care due to rapid hospital discharges, the several challenges in relation to delivering children services (discussed further in this report). The budget included £7.5m un-itemised transformation savings and the need for £13.8m capital receipts to fund the transformation programme during 2021/22. In relation to reserves (both un-earmarked and earmarked) were anticipated to reduce by £40m during in 2021/22 primarily to balance the in-year budget position.

The final outturn position for 2021/22 was an underspend of £6.8m, of which £3.3m was carried forward to support the 2022/23 budget and the remainder (£3.5m) transferred to the Financial Resilience Reserve to mitigate the emerging in-year cost of living inflationary pressures. The outturn reflected some significant over and underspends within individual directorates with underspends most notable in the areas of Place, Operations, Adult Services and Childrens Services. Further it should be noted that the Council used £30m of reserves to support the in-year budget position.

In order to balance the budget position for 2021/22 budget the council was required to deliver £20.6m of savings consisting of £13.2m operational savings (including Childrens and Adults), and £7.5m transformation savings. Final outturn detailed that £5.4m (72%) of transformation savings was delivered with a shortfall of £2.1m. However, it was unclear from our review whether the operational savings of £13.2m had been delivered. The inability of the Council to demonstrate whether savings have been delivered and assess the impact of savings on services is regarded as significant weakness in arrangements

Financial Performance 2022/23

As with the 2021/22 budget the assumptions detailed in the 2022/23 budget and Medium-term Financial Plan (MTFP) again contained several inherent risks. The Council agreed to a Council Tax freeze however the Social Care precept of 4% was implemented. The costs of not applying the 1.99% increase on core council tax levels was approximately £4.5m per year reduction in resources available to the Council from April 22. The MTFP also assumed additional income receipts would be generated through a commercial venture [The Beach Huts] to avoid further service cuts. This is discussed in detailed further in this report.

The 2022/23 MTFP set-out that £42m of reserves would be used to support delivery of a 2022/23 balance budget position. It should be noted the council had a stated objective to increase unearmarked reserves from current levels from 5.4% of the Councils Net Expenditure to 6.1% over the next five years. Further the Council's objective was to deliver a surplus during 2022/23 which would then be used to create an earmarked reserve to support of the 2023/24 budget.

The MTFP detailed £13.3m of total savings were required, consisting of £7.9m of transformation savings and £5.4m of service-based savings. At the time, the MTFP being published detailed £4m of the transformation savings were un-itemised and unidentified.

During 2022/23 in-year expenditure controls were implemented with the objective of delivering in year underspends and support the 2023/24 MTFP position. In the draft unaudited 2022/23 outturn report, the Council reported a £10.6m underspend against its 2022/23 budget. This outturn was attributable to some significant over and underspends within individual directorates. Underspends were reported in Place, Operations and Adult Services whilst there was an overspend in Childrens Services. The latter being attributable to service pressures in relation to Looked after Children and £1.5m of unbudgeted expenditure incurred to improve the service without expectations of delivering future budget savings.

This has enabled the Council to avoid the need to evoke the initial government capitalisation direction.

Of the transformation savings £4.7m (60%) was achieved, a shortfall of £3.2m against the original estimate £7.9m. The original £68m transformation investment programme approved as part of the 2022/23 original budget included the intention to charge £6.7m per annum of internal base revenue budget staff costs to the programme which would then be financed through the flexible use of capital receipts. This was reduced by £3.5m to £3.2m in each of the three years 2022/23 to 2024/25 as there was insufficient evidence to justify the recharge staff costs to the programme. We consider this an indicative of the significant weaknesses in managing and deliver the council's transformation and savings programme.

Financial sustainability

As planned, reserves fell by £36m during 2022/23 which were used to support the 2022/23 budget outturn position and detailed in the 2022/23 MTFP. The Council's unearmarked reserves increased marginally as at 31 March 2023 to £17.9m.

The Council's 2023/24 budget, Medium Term Financial Risk and Issues

As detailed on page 8 of this report and later within the governance section, given the concerns raised in prior years the Council adopted a more traditional approach to the 2023/24 budget setting process including the proposed maximum uplift to council tax. However, shortly ahead of full council, the then leader introduced the possibility of some late amendments to the proposed budget which raised Financial Sustainability and Governance concerns. Given the risks of any late amendments without proper consideration we wrote formally to the Council on 10th February 2023 detailing our concerns. Ultimately, no such alternatives were put forward and the 2023/24 budget went through Full Council broadly as proposed.

Whilst we are reassured that the Council's final 2023/24 revenue budget reflects a more traditional and prudent approach to local government budget setting and revenue raising proposals, there are several significant inherent risks to the Council's ongoing financial sustainability. These were also captured in the S151 Officers section 25 report that accompanied the budget. These included:

Savings: The Council needs to deliver £34.6m savings during 2023/24. This figure is almost equivalent to the entire level of assumed savings over the entire last 3 years. These savings proposals include assumptions of significant income generation and a reduction in service-based expenditure. Table 1 details the level of efficiencies and savings the Council is required to make between 2023/24- 2026/27 in order to balance budgets. Further transformation savings were not identified or itemised highlighting the scale of challenge the Council is facing.

Table 1 Medium Term Savings and Efficiencies

| MTFP Savings Assumptions | 2023/24 | 2024/25 | 2025/26 | 2026/27 | TOTAL |
|---|--------------|--------------|--------------|--------------|--------------|
| Un-itemised Transformation Saving | 9.0m | 15.9m | | | 24.9m |
| Scheduled Service based savings (Including Adults and | 25.6m | 7.5m | 2.6m | 2.6m | 38.3m |
| Unidentified Adult Social Care savings | | 1.5m | 3.1m | 3.5m | 8.0m |
| Unidentified Childrens Savings | | 4.5m | 6.5m | 7.0m | 18.0m |
| Total assumed Savings and Efficacies | 34.6m | 29.3m | 12.3m | 13.0m | 89.2m |

Reserves and Balances: The council's reserves and balances could be negative by 2027. Table 2 details the forecast depletion of General Fund Balances due to the risk of non-delivery of savings, and as-yet unmet budget gaps for 2024/25 and 2025/26. The Council is in a precarious situation and could incur negative reserves and a potential Section 114 notice. We have raised this as a significant weakness.

Dedicated Schools Grant (DSG): The current DSG deficit is £37m as at 2022/23. Based on current forecasts, by the end 2023/24, the deficit on the DSG is predicted to be £63.7m. This deficit predominately relates to the expenditure on the High Needs block being greater than the funding available since the introduction of Education, Health, and Care Plans (EHCPs) under the Children's and Families Act 2014.

Table 2 Movement in General fund Balances

| Potential General Fund Balances | (£'m) |
|--|--------|
| Balance Forecast as at 31 March 2024 | 62.6 |
| Un-itemised transformation savings 23/24 | (9.0) |
| Scheduled Service Based Savings 23/24 | (25.5) |
| Revised Balance Forecast 31 March 2024 | 28.1 |
| Predicted Budget Gap 24/26 | (14.6) |
| Predicted Budget Gap 25/26 | (11.9) |
| Predicted Budget Gap 26/27 | (12.0) |
| Potential General Fund Balances at 31 March 2027 | (10.4) |

To mitigate against this DSG position, which to varying degrees exists at most other upper tier authorities, the government issued a DSG statutory override by way of a Statutory Instrument (SI) which became law at the end of November 2020. This SI meant the council cannot contribute to the deficit, cannot hold a reserve to act as a counterweight and has been required to move the deficit to an unusable reserve where it will sit as though it did not exist.

Although this currently mitigates the position, and there could be further extensions to this exemption, there is a clear risk to the financial sustainability of the Council when the SI expires in 2026/27, not least given the Council projects an accumulated deficit of up to £160m at this point. Whilst DSG deficit positions can be carried forward against the grant for future years, the Council is required to have a multi-year deficit recovery plan, including benchmarking against peers to understand the underlying causes.

Financial sustainability

43

The Council has proactively attempted to manage this financial pressure and has a High Needs Block recovery plan and included within the 2021/22 budget £10m of capital expenditure to support the provision of schools' places in this area to reduce the reliance on more expensive private provision. The Council's management information in respect of DSG is good, and there is targeted monitoring and oversight of this area. However, the current trajectory of the deficit is upwards and continued efforts are necessary to seek to manage this financial pressure given the wider financial challenges facing the Council. Whilst the deficit is currently ring fenced, the statutory override is temporary and there is uncertainty as to whether this will be extended beyond the end of the current period. Given the issues detailed above, the Council needs to review the delivery of the 2023/24 budget and ensure it has a robust MTFP process for 2024/25. To enable this the council should commission support from external bodies such as the LGA and/or CIPFA to advise and challenge the Council on its Financial Resilience and sustainability going forward. We understand that CIPFA have now been engaged to undertake a financial resilience review in September 2023.

We recommend the Council continue to engage with the Government nationally, through the Department for Education (DFE) Safety Value Programme, which it is now a member of, to eliminate the deficit through a medium-term transformation plans, short-term funding to support preventative measures.

The Transformation Programme

The transformation programme is the Council's main tool for driving improvement, creating capacity, identifying savings, and streamlining service delivery.

It is an ambitious programme with current implementation costs of £57.4m (detailed in the 2023/24 MTFP) which is a 53% increase from 2021/22 estimated costs of £37.6m.

The programme was initially approved by the first unity Alliance Cabinet and has rapidly increased in scope and ambition since then. The council engaged KPMG to advise on the planning and delivery of the transformation programme 2019. Interviews with Officers' detailed that KPMG's original transformation assumptions in relation to costs and savings were not submitted to committee when the transformation programme was approved in 2019,

In the budget report for 2022/23 the Cabinet, at its meeting on 9 February 2022, agreed that investment in the programme be extended to £67.9m to cover the costs of employees working on the programme who are therefore not available to support day to day or statutory improvement duties, along with investment in data and insight capability and an increase in the programme contingency.

In the 2023/24 budget report in February 2023, the Council reduced the transformation investment programme to £57.4m to reflect a reduction on the annual recharge of internal base revenue costs to £3.2m for three years in line with the evidence base.

Transformation programmes typically set out a range of potential financial benefits and usually councils would use a mid-point to provide a target for savings. The indication for potential savings for BCP has been in the range of £26.7m to £43.8m. The Council was clear in the budget report to Cabinet on 8 February 2023 that due to the increased level of investment in the programme the Council would continue to use the highest end of the range as the basis for financial planning (as it has since 2019).

However, we found the Council had historically struggled to deliver on its transformation saving targets and given the pressures on Childrens and Adults services it is unlikely service-based elements of savings will be achieved without a detrimental impact to the services. We see this as a significant weakness and the Council should review the programme to ensure that cost and savings are realistic, and an achievable programme is developed.

The financing of the programme is detailed further in this report under the sections Capital Flexibilities and Capitalisation Directive.

Capital Flexibilities

As previously noted, the transformation programme is central to the Council's plans to deliver financial sustainability through efficiencies and the avoidance of significant cuts to its services. The bringing together of three legacy authorities has resulted in multiple complex systems and perceived duplications within the inherited practices which the Council sought to address through this programme.

A core element of the financing of this transformation programme was the ability to use capital receipts to meet the revenue costs of transformation (Capital Flexibilities Initiative). This Capital Flexibilities Initiative is permitted by a statutory direction published by Department for levelling up Housing and Communities [DLUHC] and allows the Council to use capital receipts to fund the revenue costs of transformation schemes which expect to reduce future demand and to generate revenue savings in the longer term.

Financial sustainability

44

Working with KPMG the Council explored the option of generating a capital receipts through the sale of the Council-owned beach huts to a Special Purpose Vehicle ('SPV'), wholly owned by the Council. The intention of this proposal was to generate a significant capital receipt (estimated to be in the region of £56m in a report produced by KPMG in December 2021). This capital receipt could then be used under the Flexible Use of Capital Receipts guidance to fund the revenue costs of the Council's transformation programme.

Due to the innovative complex nature of this proposal the Council consulted widely to ensure that the proposed arrangements were allowable under the Flexible Use of Capital Receipts (FUCR) guidance. The proposal was based on a detailed report produced by KPMG setting out the considerations for the Council when taking this course of action. The Council's Section 151 Officer also consulted CIPFA for advice on the proposals. The advice from CIPFA shared with the Council in December 2021 set out that it "would appear to meet the criteria set out in the guidance and direction to be regarded as transformation work which could be funded by FUCR".

As external auditors to the Council we were approached to comment on both the extent to which different costs could be capitalised under the Capital Flexibilities Initiative as well as to comment on the proposal to sell the beach huts to a Council-owned SPV and the use of the capital receipt under FUCR guidance. We held a series of meetings with the S151 Officer to discuss both these areas and challenged as to whether several areas of proposed spend met the definition of transformation.

The S151 Officer reflected on this in the later versions of the transformation programme. We also commented that, based on a high-level review, that the beach huts proposal did appear to be in line with FUCR initiative but that this would be subject to further work on our part once implemented.

Once the Council's proposals around the sale of the beach huts became public DLUHC contacted the Council to discuss the proposal further. We were also contacted by DLUHC to discuss the nature of the Council's proposals. On 16 June 2022 the Minister for Equalities, Local Government, Faith and Communities wrote to the Leader of the Council detailing concerns around the Council's proposals. In this letter DLUHC confirmed that they had concerns around the flexibility not being used appropriately and, although not explicitly disallowed by the direction, the proposals were not in accordance with the spirit and intent of the flexibilities provided. The ambiguity around what constitutes a qualifying asset disposal generating a capital receipt had allowed the Council to treat the beach hut proposal as an asset disposal whilst still retaining some indirect control of the asset. DLUHC indicated in their letter that they were reviewing the guidance and considering whether amendments were necessary specifically exclude this type of proposal.

The potential risks associated with this were recognised and highlighted by the Section 151 officer in discussions with Cabinet in June 2022 and updated in July and September 2022, with commentary including his view that this strategy represents a risk to the financial sustainability of the Council.

On the 1 August 2022 the Secretary of State for the Department for Levelling Up, Housing and Communities (DHLUC) wrote to all Council leaders informing them of the revision to the Direction to establish that capital receipts used in accordance with the Direction must only be from disposals where the authority does not retain some direct or indirect control of the assets. On this basis the Council could no longer pursue the sale of the beach huts to a SPV and use the capital receipt to fund the transformation programme. This presented the Council with a significant gap in the funding of the transformation programme and put increasing pressure of the financial sustainability of the Council.

This outcome led to the Council exploring alternative mechanisms to fund the transformation programme and a request to DLUHC for exceptional financial support in the form of a Capitalisation Directive.

Capitalisation Direction

On 15 July 2022 the Council applied for a Capitalisation Direction totalling £75m over the next three years. This would allow the Council to borrow money to finance the revenue costs of its transformation programme including an additional £24m to meet the unbudgeted costs of transformation of Adult and Childrens Services.

Such directions are generally considered to be contrary to prudent financial management and simply postpones to need to deal with the underlying issues. Capitalisation directions are normally subject to conditions, common ones being a high level of intervention and the requirement to deliver additional capital receipts. Further these conditions

Financial sustainability

45

have weighed heavily on other authorities in a similar position. The Council can only make an application for a Capitalisation Direction to DLUHC if it considers itself to be facing exceptional financial difficulties, so is generally granted to Councils in extremis.

On the 2 September 2022 DLUHC wrote to the Council offering 'in-principle' support of up to £20m for 2022/23. This offer was subject to conditions including a full plan addressing the budget gap for 2023/24 and beyond and the requirement for the Council to undergo an external assurance review of its finances and governance arrangements. At this point no decision had been made on further funding beyond 2022/23. The Council has no guarantees that the full capitalisation request will be successful or that an early decision would be made by the Department and that the timeframe permitted would align with the timeframe of the transformation agenda. It's approval may, as often is the case, be predicated on significant asset disposals resulting in the Council needing to accelerate its disposals programme and this may not result in the best value for money outcome.

In his June 2022 report to Cabinet, the Section 151 Officer recommended that the Council take immediate action to support rebasing the 2022/23 budget and to set a balanced budget for 2023/24 including a halt to any new contractual commitments and bringing forward new savings proposals. At the time of drafting this report detail proposals supported by business cases have not yet been formed and finalised. There was, however, evidence that the Council has engaged widely, taken expert advice and kept members informed of its plans.

Not presenting a full plan to balance the 2023/24 budget to

DLUHC would have jeopardised the Councils ability to achieve the £20m capitalisation direction in 2022/23. This would have meant either additional in-year capital receipts needing to be generated (which the Council are continuing to test the feasibility of achieving) or utilising the resources currently supporting the balancing of the 2023/24 budget. The second of these would impede the ability to set a legal, balanced budget for 2023/24. Associated with this would have been at least the possibility of direct government intervention in the council. The "minded to" £20m capitalisation direction for 2022/23 was subject to an external finance and governance review.

DHLUC issued their report in August 2023, and it concluded that the Council's Medium Term Financial Plan (MTFP) and budget, as currently agreed is unrealistic. It is predicated on the delivery of an overly ambitious transformation programme both in terms of levels of savings and timescales for delivery. As detailed in this report we concur with the findings in the report.

The Council during the 2023/24 budget setting process agreed not to utilise the £20m Capitalisation Directive, but instead use Capital receipts to fund the Transformation programme. This is detailed further below. Avoiding the need for this capitalisation direction is seen as an early sign of a more sensible and appropriate approach to financial management at the Council.

Capital Receipts

In the context of the Council's overall financial position and financial sustainability, it is imperative that the Council generate sufficient capital receipts to finance the transformation programme over the 3-year period to 31 March 2025.

There is still a key risk to the Council in respect of any expenditure which it intends to incur before the actual capital receipts required to fund it are delivered. In 2023/24 the council intends to spend £28.4m of transformation expenditure which it plans to finance from capital receipts.

Current monitoring (as at August 2023) indicate that it will be challenging to deliver at least £4.3m of the £7.4m originally assumed 2023/24 asset sales, exposing the Council to the risk that reserves will be required to cover the shortfall.

The Council's Debt Position

The Council and its legacy authorities had maintained a lower-than-average level of debt which was mainly towards the lower end of the third quartile when compared to other upper tier authorities. As part of the 2021/22 budget, the Council revisited its financial strategy and planned to increase its level of debt in order to refinance capital schemes and release resources to support the General Fund revenue budget. The approach being to borrow in order to finance schemes over the life of the asset, examples being the ICT investment plan, the capital element of the transformation programme, and the Poole Bay beach master plan.

Full Council in November 2022 agreed to increase the Council's debt threshold from £855m to £1.334bn. On a Net Revenue Expenditure basis this moved the council's threshold from the mid-point range compared to upper tier authorities to the top 3rd quartile. There two main drivers for extending the councils debt threshold were:

Financial sustainability

To enable service-based capital expenditure to be financed from debt with the cost spread over the time-period that will benefit from the expenditure.

To support the big plan objective including the delivery of regeneration and housing business cases which will provide an ongoing resource base for the Council, as a minimum, once the borrowing is repaid

Several sizeable schemes were removed from the Councils original 2022/23 Capital strategy particularly those associated with Bournemouth Development Company proposals.

The currently revised forecast detailed in the 2023/24 MTFP including commitments made up to the end of December 2022, detail peak debt of £704m during 2026/27

The Council has agreed not to support any further increase in debt that would impact the General Fund budget through the increased costs of debt. However, this criterion was breached when council took on the debt to fund Royal Arcade development as part of the Town's Fund. The justification, was the investment attracting a sizeable level of inward funding from the Heritage Lottery Fund and Government.

If BCP council had debts of £1.334bn at 31 March 2023 it would have been the fifth most indebted unitary council in England. It should be noted that two of the four local authorities with borrowing in excess of the Council's debt threshold, have now issued Section 114 notices. These councils are now trying to find solutions to their debt levels that they can no longer afford to service, with in one case 25% of current revenue spend being used to service the debt.

Although the current level of debt held by the Council is significant below the debt threshold it remains critical that any proposals to take on additional debt are robustly scrutinised to ensure they are affordable, prudent, and sustainable.

Debt repayment is the first call on any resources generated by the Council, even before the provision of statutory services. Further debt should only be supported where the project is self-funding and is affordable, prudent, and sustainable or would significantly reduce the annual operating expenditure of the Council or generate significant inward investment via government funding.

BCP FuturePlaces

The Council formed BCP FuturePlaces in May 2021 as a wholly owned Urban Regeneration Company operating under the Teckal exemption. The company was established in order to drive regeneration and property market transformation at pace across Council owned sites.

In July 2022 a revised business plan was approved the restructuring of the funding and repayment arrangements between the Council and BCP FuturePlaces. The Council provided BCP FuturePlaces with an £8m working capital loan to cashflow feasibility activity, staffing costs and overheads prior to presenting business cases to the Council for approval. At the point of approval, BCP FuturePlaces would be paid by the Council for the work to date on each scheme. This payment would enable BCP FuturePlaces to repay their debt to the Council, and the Council would be able to capitalise the cost of the professional services related to specific schemes rather than incurring the feasibility costs in the Council's revenue budget.

We have concerns about the new arrangements in that a disproportionate level of risks sits with the Council on two fronts. Firstly, any amounts drawn down from the loan which ultimately proves to be unrecoverable (currently standing just over £2m) will be crystallised into an in-year debt and impact the revenue budget.

Secondly any payments to BCP FuturePlaces for Outline Business Cases that the council does not proceed with will be written off to the revenue. Both instances present significant financial risk for the Council.

Although the Council, as part of its outturn report for 2022/23, has provided for the full amount of working capital loan drawn down to date a fuller assessment is now required. The Council should re-evaluate the role BCP FuturePlaces plays in delivering against the Council's Corporate objectives. As part of this, The Council should ensure there is an equal distribution of risk and reward between itself and BCP Futures, and that the work commissioned by the Council is clearly defined and there is no changes in scope and objectives unless agreed and fully supported by the Council with a clear supporting Business Case. Note we have further commentary on BCP FuturePlaces in the Governance and Improving economy, efficiency and effectiveness section of this report

Statutory Officers

Concerns raised in this report in respect of the appropriateness of financial decision making given the financial challenges facing the Council have arisen despite concerns being expressed by statutory officers to decision makers.

Our review suggests that advice from statutory officers during 2021/22 and 2022/23 was heeded when it aligned with the administration's preferences. However, when such advice raised concerns or risks about a proposed decision it was often overlooked with attempts made to circumvent it.

This has inevitably led to, as set out in the recent Best Value Notice, strained and challenging relationships between senior officers and the previous administration and between different political groups.

Financial sustainability

Support and Advice

The Council has a good track record of obtaining external advice and peer support, where appropriate. The Council engaged a peer review by the Local Government Association (LGA) in December 2022. The review covered the 2 years since inception of the new authority. The review noted that the council still had a significant task to consolidate policies, practice and procedures particularly in relation to harmonisation of pay scales and terms and conditions. Further the review noted that the council need to balance leadership ambitions with a credible MTFP. The issues raised in the Peer Review align with the concerns we have identified in the Council's arrangements in relation to Value for Money.

However, given the issues we have detailed previously, the Council would benefit from commissioning an external review of its financial resilience. This would provide support and challenge to the MTFP and budget process going forward. Both CIPFA and the Local Government Association provide services to Local Authorities around testing financial resilience and Peer to Peer review current arrangements. Of particular focus should be the transformation programme, the management of savings, prioritising and delivering of corporate priorities and providing assurance and confidence in the Council's ability to manage its Financial sustainability.





Improvement recommendation



Financial Sustainability

Recommendation 6

The Council should commission an external review of its financial resilience particularly in relation to the MTFP, the transformation programme and savings necessary to balance the budget, whilst ensuring Reserves and Balances are at sustainable levels.

Why/impact

The Council faces many the challenges. Key to this is delivering a realistic MTF. To enable this the Council will need external support and challenge to the MTFP and budget setting process going forward. Of particular focus should be the transformation programme, the management of savings, delivery of corporate priorities and providing assurance and confidence in the Council's ability to manage it Financial sustainability.

Management comment

The Council has engaged CIPFA to undertake a financial resilience review in September 2023.

Recommendation 7

The Council should re-evaluate the role BCPF plays in delivering against the Council's Corporate objectives. As part of this,. The Council should ensure there is an equal distribution of risk and reward between itself and BCP Furtures, and that the work commissioned by the Council is clearly defined and there is no changes in scope and objectives unless agreed full by the Council and support with a clear Business Case

Why/impact

The current model has a disproportionate level of risk sitting with the council, and reward with BCP Futures. Given the challenging financial situation the council is in the current model needs to be reviewed to reflect the

Management comment

In response to the recommendations of the government's independent governance review the Council has committed to agree a business plan for BCP FuturePlaces Ltd setting out a clear portfolio of priority projects with a timescale for delivery. In addition, as part of the Chief Executives internal governance review the Council has committed to a governance review of BCP FuturePlaces Ltd and its funding.



Improvement recommendation



Financial Sustainability

Recommendation 8

The Council should robustly scrutinise any proposals to take on additional debt and ensure it is affordable, prudent, and sustainable. Debt repayment is the first call on any resources generated by the council, even before the provision of statutory services.

Why/impact

Our review noted that the Councils debt threshold had increased to £1.3b. There are several risks associated with this including the increased cost of borrowing to the council, and ensuring sufficient resources are set aside to cover MRP. Any increased borrowing will have an ongoing Revenue implication which will reduce the resources available to delivering statutory services. There needs to be a sound business case for any increase in borrowing and the council needs to ensure VFM and a rate of return on investments. Minimum Revenue Provision (MRP) is the minimum amount which a Council must charge to its revenue budget each year, to set aside a provision for repaying external borrowing (loans).

Management comment

Further to the July 2023 MTFP Update report to Cabinet and the recommendations of the July Audit & Governance Committee, Council in September 2023 will be asked to reduce the council's debt threshold by approximately 50%. This should add a layer of robust scrutiny and challenge to any further significant debt based business cases as they will now also need to be presented to the Audit & Governance Committee to agree Council being asked to in the threshold and take on the associated borrowing.

Recommendation 9

The Council should consider being a part of the Central Government Safety Value initiative in relation to High Needs Placements to help mitigating the Dedicated schools grant deficit.

Why/impact

The Council needs to consider the future risks and current costs associated with continued growth of the DSG deficit. Our review noted that the whilst the Council's management information in respect of DSG was good, and there was targeted monitoring and oversight of this area. However, the current trajectory of the deficit is upwards and continued efforts are required to seek to manage this financial pressure given the wider financial challenges facing the Council. Due to the accumulating deficit on our Dedicated Schools Grant, BCP Council is projected to have negative reserves by the 31 March 2024. This means that all things being equal the s151 Officer would be required to issue a s114 report for the 2023/24 financial year.

Management comment

On behalf of the Council the Chief Executive, in September 2023, agreed an invitation to be part of the government's safety valve mechanism.

Governance

50



We considered how the Unitary Authority:

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

Background and Context

Prior to the local government elections in May 2023, BCP had a Conservative led administration but without overall control (35/76). The other political groups were Liberal Democrats (13), Christchurch Independents (7) Poole Engage (5) Poole Independents (5), Bournemouth Independent and Green (4), Labour (3),unaligned (4).

At its inception in 2019 the Council was led by the Unity Alliance, and following two votes of no confidence in 2020 the Conservatives took over as a minority administration. In October 2021 the Conservatives moved to a majority administration. Then in June 2022, following four Councillors leaving the Conservative group the Council once again became governed by a minority Conservative administration. During this four-year period the Council had three different leaders.

Following the local government elections in May 2023 no party has overall control. The Liberal Democrats are the largest party (28/76). The other groups are Conservatives (12), Labour (10), Christchurch Independents (8), Poole People (5), Green Party (5), Independents (3), Poole Engage (2) unaligned (2) and there is one vacancy.

The Liberal Democrat leader has worked with other parties and has formed the Three Towns Alliance which consists of the Liberal Democrats, the Christchurch Independents, Poole People Party and the Bournemouth Independent Group. This is now the new administration and Councillor Slade was elected Leader of the Council at the Council meeting on 23 May 2023.

Leadership and Governance

We noted in our review that the Council continued to struggle to establish effective governance arrangements. This was apparent with member-to-member and sometimes member to officer relationships which were adversarial.

During our interviews with Officers, there were descriptions of relationship with members as “toxic” and “unpleasant”. Members were unwilling to listen to advice from officers, and becoming very involved in the operational management of the Council.

A contributing factor was Council’s Members having diverging views and opinions, and reaching consensus on the practical implementation of good governance was very difficult.

There were several complaints about the way that Councillors have used social media and a high number of complaints made to the Standards Committee. The Standards Committee met 15 times since mid-2019 to hear complaints against Councillors.

On occasions Member complaints have had to be reported to meetings of the full Council as Councillors have failed to abide by the sanctions agreed by the Standards Committee. Many more complaints have been dealt with under the informal process permitted under the Constitution and determined by the Chair in consultation or resolved informally by the Monitoring Officer under her delegated powers.

As the appointed auditors we have received a large number of communications from the public over decision making at the Council.

Governance

Some of these communications have touched on several of the concerns raised in this report.

Council meetings have often been contentious and there have been some very acrimonious meetings and debates that have taken place. We recommend a programme of mentoring, training and development for members on The Council Constitution, and Code of Conduct, and expected member behaviour particularly to enable cross-party working.

We reviewed Overview and Scrutiny (O&S) Committee and noted increased political contention particularly around the structure and frequency of meetings. The two new O&S Committees for Place and Corporate & Community were contentious with focus on carrying out pre-Cabinet scrutiny rather than developing policy and scrutiny of services. We noted that most of the decisions during the two new O&S Committees were taken on party lines however the Health and Adult Social Care, and Children's Services O&S Committees were supported well and across political parties.

Overall, the Standards Committee works well but there have been isolated cases of Members refusing to abide by their findings, resulting in reports to the Council or apologies being requested. Councillor complaints about other Councillors have historically been high in number. This does not indicate strong governance and leadership arrangements are in place and the council must make concerted efforts to mitigate this going forward.

We noted in our review that the Council needs to consider how recommendations go to Full Council for decision and how they are managed and debated.

The level of delegation should be reviewed and the procedure for proposing and seconding recommendations from the Cabinet and other Committees should be simplified.

We recommend the council develop a mechanisms for challenging and reviewing Cabinet and portfolio holder decisions, whilst encouraging opposition and backbench councillors to participate in governance.

Senior Management Team

There has been significant turnover within the senior management team since the Council was established in 2019. A new structure has been adapted to respond to developing circumstances and pressures. The senior team is now made up entirely of permanent appointments who have been in place since 2022/23. Whilst the Chief Executive and Section 151 Officers are capable of supporting the Council through these challenging times, the expertise within the wider leadership team is untested with a number of newer appointments with less experience of working in such a complex and political environment. A strong development training programme, including coaching and mentoring for all Directors would be appropriate to ensure they have experience as a team to deal with the challenges ahead.

The Budget Setting Process

As detailed in the Financial Sustainability section of this report, when setting the 2022/23 budget the Council, via its strategic advisors, devised a mechanism to generate a capital receipt from the sale of beach huts to a wholly owned company and use the proceeds to fund revenue costs of transformation under the Flexible Use of Capital Receipts direction.

At the time of this Council sought advice from both their advisors and from us as external auditors on the appropriateness of this. It was deemed that the proposal was within the technicalities of the guidance.

However, there was an intervention from DLUHC around concerns that the flexibility was not being used appropriately. This led to DLUHC reviewing the guidance and the Council having to adjust budget proposals for the 22/23 budget.

Although this was a high-risk proposal and ultimately required DLUHC to intervene the Council did consult appropriately on the matter and adhered to the altered guidance set out by DLUHC.

However, the initial proposals were predominantly driven by the then-Leader of the Council with the aim of increasing income to maintain service provision whilst minimising any need for council tax increases. This may well have benefit service recipients in the short term but the disposal of such an asset would have implications for future revenue streams and the ability of the council to balance the books into the long term. We are concerned that such decisions may not always have full regard to the risk of future council taxpayers and may be based on short term benefits at the expense of long-term sustainability.

This event was a pre-cursor to a more significant situation in 2022/23 that ultimately led to the resignation of the then-Leader.

On 1 February 2023 the Council formally published its proposed budget for 2023/24. This budget had been set in line with a more traditional approach to budget setting than previously (i.e. the beach huts proposal when setting the 22/23 budget). This budget was based on, from our perspective, a more prudent and less risky approach to budget setting and medium-term financial planning, predicated on the use of the maximum increase in Council Tax permitted and a detailed (albeit challenging) savings plan.

Governance

However, through conversations with the Section 151 Officer and Chief Executive we were made aware that the administration was considering a late amendment to the indicative budget proposals, which was potentially a high-risk amendment that proposed to be submitted. It appeared that this late amendment was being driven by the then-Leader of the Council who made it clear in a press release in late January 2023 that the administration would be working on ways to increase income and use of assets to generate additional income for the Council and reduce the burden on the Council Taxpayer through a reduced uplift in Council Tax for 2023/24.

52

At this point we identified several concerns with this approach being taken by the Council and the then-Leader. From a governance perspective. We formally wrote to the Council on two major concerns;

1. Given the last-minute nature of the proposed amendments to the budget, officers had limited opportunities to fully digest the impact of the changes and advise decision makers on whether the change was in the best interest of the Council. At the same time, senior Council officers had communicated concerns to us over the nature of the late change being proposed.

2. The proposed amendment was identified as being 'innovative and high risk' with it involving a proposed income strip of a Council-owned asset to generate a capital receipt and ongoing revenue stream for the Council. Given the Council's previous attempts around innovative mechanisms to generate income and support the financial position (most notably the beach huts propose from 2021.22 – see above) appropriate due diligence of the proposal was crucial. From our perspective there was no clear evidence that the due diligence had been undertaken and the decision had been subject to appropriate scrutiny.

Overall, our perspective was that any proposed amendment to the 2023/24 budget that was considered 'innovative but higher risk' was unlikely to be subject to appropriate diligence and review, with Members required to consider the proposal at short notice and with limited risk assessment. We identified this as a risk to the future financial sustainability of the Council due to the risk of entering this projects without the proper and full consideration that good governance require.

As a result of these concerns, we wrote a letter dated 10 February 2023 to the Chief Executive and Section 151 detailing our concerns and our consideration of the applicability of our additional powers and duties as external auditors of the Council. We asked that this letter was taken to the Audit & Governance Committee on 16 February 2023 to discussed the issues raised. We received a response from the Chief Executive and Section 151 Officer of the Council dated 6 March 2023 detailing the considerations the Council had given over the matter raised in our letter. The letter detailed that our concerns had been discussed at the February 2023 Audit & Governance Committee meeting and that the formal approval of the budget made by the Council on 21 February 2023 did not include the high-risk alternative funding strategy identified by the (now previous) Leader of the Council. The 2023/24 budget, whilst remaining challenging, was based on traditional and conventional approaches to local authority budgeting.

Between our letter being issued to the Council and the 2023/24 budget being approved by Council the Leader of the Council resigned from post. In his resignation statement he referenced the intervention by us in relation to the 2023/24 budget proposals.

Despite the outcome that was reached and the 2023/24 budget not including the proposed alternative income generating approach we consider there to be a significant weakness in the Council's governance arrangements during budget setting.

Without our intervention and the intervention of the Chief Executive and the Section 151 Officer there was the real risk that the then-Leader would have forced through this high-risk proposal into the 2023/24 budget. This could have exposed the Council to significant financial risk.

It should be noted that the S151 and the CE worked hard to provide balanced and sensible advice to the then administration. The Section 25 report from the S151 Officer setting out his assessment of the robustness of the annual budget and the adequacy of reserves supporting the budget for both 2022/23 and 2023/24 were very explicit about the risks facing the council.

The specific risk associated with the then-Leader of the Council has been mitigated through the change in Council leadership, and subsequent change in overall control, but we still consider this weakness in arrangements to be reflective of a wider undermining of statutory officer advice if it was not viewed as consistent with the preferences of the then administration. On this basis, we consider there to be significant deficiencies in the governance in operation at the Council during 2022/23.

Further through our interviews with the monitoring Officer, the Council does not have a Budget Policy Framework linking the budgets to the Council's priorities as detailed in the Corporate plan and Big Plan. We are recommending that this is developed and agreed as part of the Councils' constitution.

Governance

This will be of particular importance during 2023/24, and the council should implement this so as the 2024/25 budget can be developed in the right context and on a sound basis.

Monitoring and assessing risk

As set out in the Council's Financial regulations, the Audit and Governance Committee are specifically responsible for ensuring appropriate and effective risk management processes. The Council adopted, as an interim measure the legacy Bournemouth Council Risk Management Framework, with the scoring matrix adjusted to reflect the increased remit of the new authority. A new risk management framework for the Council is currently being finalised.

The Corporate Risk Register is updated quarterly. It is informative, and includes details of each of the 14 risks included at 31 March 2022, together with mitigations and further actions. The number of risks at 31 March 2023 had increased to 22. This corporate register is informed by service level risk registers. Risks identified at the service level are also being reviewed by the Corporate Management Board. The Council has a risk management team which reviews and reports on corporate risks as well as engaging with services to develop the current risk management arrangements at the service level.

The Cabinet consider risks as part of their decision-making role on corporate policies, including the annual budget setting processes, major policy decisions and major projects. The Audit and Governance Committee also reviews these corporate risks through quarterly monitoring reports

We reviewed the risk register as at March 2023 particularly item Risk CR9 – Failure to maintain a safe and balanced budget for the delivery of services and noted it detailed the risk associated with the MTFP position going forward, however the mitigations appeared limited in scope and urgency.

We also noted that the register included CR13 a 'failure to deliver the transformation programme' and reported that Good progress has been made with all key workstreams moving into their "Construct" phase, several key deliverables have been signed off for the base builds of the Customer Digital "Front Door" and the Master Data

Management software forming part of the Data & Insights technology. In relation to mitigation, that the programme is "to be developed during mobilisation of the full programme following appointment of the Strategic Implementation Partner (SIP)" that the programme itself is in a very formative stage. Again, we are concerned that this does not reflect the true position of the transformation programme given the un-itemised savings and the rapid increase in transformation costs.

Internal Audit Function

There is a good audit and investigations function operating at the Council and we are satisfied with the standard of work being carried out by Internal Audit. It has demonstrated itself to be a dynamic service capable of reacting and responding to changing circumstances. During 21.22 All Service directorates had some form of audit coverage during 2021.22 and a high percentage (86% - 68 out of 79 audits) of the original audit plan was completed. This was slightly under the 90% target.

During 2022/23 67 Audits were carried out. In summary, 1 'Substantial', 49 'Reasonable' and 7 'Partial' assurance level opinions were given during the year. Additionally 8 consultancy and 2 follow up reviews were also carried out during 2022/23. There were no Minimal assurance opinions given for any of the audits. Whilst the 'Partial' opinion audits are reported during the quarterly reporting to Audit & Governance.

The Chief Internal Auditor annual audit report detailed that during 2021/22 and 2022/23 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

Corporate Strategy and the Big Plan

The Council has two separate strategic plans, "The Big Plan" and a Corporate Strategy. "The Big Plan" sets out five big projects that the Council states will 'deliver big changes across the whole area and support the creation of 13,000 jobs'. The Big Plan is primarily focused on regeneration and place. The Council also has a corporate strategy which sets out the Council's vision, mission, ambitions, priorities and values.

From our review we could not see a cohesive link between these plans. Officers detailed how this led to confusion particularly in relation to prioritising and delivering services. Further the Big Plan had not been formally approved by Council. We recommend both plans are summarised into a single cohesive document which will set out one coherent vision for the organisation and the key objectives it will deliver.

Governance

This will simplify the strategic framework of the Council and will help to guide the key priorities for services and financial planning.

The Transformation Programme

The Transformation Programme sets out the ambitious plans for creating a new, single operating model which will help the Council achieve its strategic vision. The Programme was initiated by the Unity Alliance and has been continued by the Conservative Administration. We noted in our review the lack of strategic engagement and communication with members. This is critical given the size, nature, risk and issues associated with the programme and how critical it is to the Council's Financial stability.

BCP Future Places

One area of concern related to BCP Futures places. In May 2021, following an external review of the regeneration opportunities and the Council's capacity, the council approved the formation of BCP FuturePlaces Ltd, ("FuturePlaces") a wholly owned Urban Regeneration Company (URC), operating under the Teckal exemption. BCP FuturePlaces was created to drive "Place Making", regeneration and property market transformation at pace across key sites owned by the Council and the wider area to support the aspirations set out in the Council's Big Plan.

The governance of the BCP Futures has been a matter of significant concern. The Leader and Deputy Leader were both appointed to the Board. We consider to be poor practice for the Chair and Vice Chair of a council company to be the Vice Chair and Chair respectively of the Cabinet to whom the company is accountable. Further Members need to have visibility and clarity of the work commissioned by the Council in relation to BCP Futureplaces.

Note we have made further comments on BCP Futures in Financial sustainability and improving Efficiency effectiveness and Economy sections of this reports

Budgetary control

There are systems in place for oversight of the budget. The Finance Department engages regularly with budget holders. Budget monitoring is reported quarterly to Cabinet. The quarterly budget monitoring reports detail variances by department (and service lines within departments) demonstrating a regular identification of in-year variances. Actions being taken or to be taken by departments in response to such variances are set out.

The Council published an online budget books to allow transparency and scrutiny of spending at a service line level. The budget papers issued by the Council reflected both the national and local position and outlook and reflecting on the uncertainty inherent within the process, along with details on the assumptions that underpinned the budget.

Also included was detail on the Council's capital strategy and its funding mechanisms, along with separate budgets for the Housing Revenue Account. Capital budget monitoring is also reported quarterly.

Financial monitoring reports presented to Cabinet demonstrate that in year forecast variances are being picked up promptly and budget holders are held to account for delivering their budget or developing mitigating action. The Section 25 reports from the S151 Officer for both financial years was clear in relation to the risk and issues facing the council.

Further Councillors and officers continue to maintain a robust financial management culture and continue to implement constant, vigilant, and strong financial management to ensure any variations from budget are actively managed.

However, in our review we noticed the lack of transparency in relation to operational savings and evidence they were delivered, in both 2021/22 and 2022/23. Further there was a lack of operational plans and oversight on transformation cost and savings This is a significant weakness and has been detailed in the Financial sustainability part of this this report.

Supporting statutory financial reporting requirements

The statutory financial reporting team is smaller than we would typically see in a unitary authority of the size of BCP. The production of the financial statements is further complicated by the bringing together the differing financial systems and policies of the legacy councils. Given these ongoing challenges, there is an over reliance on a small number of individuals particularly where matters are technically complex and conflicting demands on those individuals causes delays to the timely completion of the audit process.

The financial statements submitted to audit since inception contained a number of material errors particularly in the areas of property valuations, where a lack of review and challenge of external experts engaged was evident, requiring significant additional work for both auditors and finance staff including further valuations being required.

Governance

Monitoring and ensuring appropriate standards

The Council has the expected policies and procedures in place to comply with all relevant codes and legislative frameworks. Central to this is the Council's constitution which has been refined and is subject to appropriate scrutiny as the new Council has embedded. As discussed earlier in this report. The Council needs to consider how recommendations are submitted to Full Council for decision and how they are managed and debated. The level of delegation should also be reviewed and the procedure for proposing and seconding recommendations from the Cabinet and other Committees should be simplified.

Audit & Governance Committee

The Council's Audit and Governance Committee consisted of 11 members in 2021/22 and 9 members in 2022/23. There is no statutory requirement to determine the numbers, CIPFAs guidance Audit Committee Practical Guide for Local Authorities and Police recommends that authorities should strive to have not more than eight. The council is generally slightly over with 9 members.

However, the council does not have any independent members of the Committee. This will help mitigate the historic political instability with the Council and also ensure continuity between changes in administration. Further CIPFA endorses this approach of including lay or independent members and we have raised this as an improvement recommendation.





Improvement recommendation



Governance

Recommendation 10

The Council should

A) ensure that the transformation programme is clearly visible to Cabinet, Scrutiny and members, and progress on delivery of the programme, its associated costs, and savings delivered are reported to members on a quarterly basis

B) Establish a separate portfolio for Transformation (including Council wide savings programme). Members need to have clear visibility on the programme and how it is progressing and tangible evidence that savings are being delivered, milestones are being achieved and a return on investment is being made.

C) Ensure greater visibility and transparency in relation to delivery of savings particularly in the quarterly finance and performance reports to Cabinet and the annual MTFP report and budget setting process

Why/impact

Our review identified weaknesses in reporting and management of the transformation programme and reporting progress on delivery of the programme itself and the savings to be delivered. The Transformation Programme is critical to the ongoing Financial Sustainability of the Council as well as being a substantial investment. It should be clearly visible throughout the Council

Both Officers and Members need to be fully aware of the progress on delivering savings within the Council and the impact savings have on service delivery and outcomes. We found a lack of transparency in relation to savings programme and the progress made on delivering savings and impact on services. This could be facilitated by using dashboards with rag ratings, risk and issues logs and clearly mapped to Corporate Priorities.

Given the scale and ambitions of the programme it requires keen member oversight to ensure strategic priorities are delivered, and ensure council is making a return on its investment. There has been a lack of member oversight and visibility on the transformation programme particularly in relation to increasing costs and the timely delivery savings.

Management comment

Post May 2023 a cross party member working group has now been established to provide oversight of the transformation programme. In addition, the Leader of the Administration has appointed a separate Portfolio Holder for Transformation.

Quarterly budget monitoring reports from 2023/24 onwards include, in the body of the report, a summary of savings achieved against the original budget supported by a more detailed and transparent appendix which shows progress against each and every one of the assumed savings.



Improvement recommendation



Governance

Recommendation 11

The Council needs to ensure all Cabinet members, have a rolling programme of induction and training. Further members should have contact with formal coaches or mentors, who should be experienced local government leaders.

Why/impact

Leadership and tone from the top has been lacking with particularly contentious committee meetings and poor member behaviour. There are very few mentoring arrangements in place for members and this needs to be reestablished after the local elections in May, working with the LGA, CIPFA etc

Management comment

A comprehensive member induction programme was put in place in May 2023. All members of Cabinet have been enrolled on relevant Leadership Essentials courses with the LGA and have been offered a mentor via the Group Offices. Chairs of other committees have also been offered professional courses from the LGA and other relevant organisations. The majority of courses are due to take place in Q3 of 2023/24 due to LGA capacity issues and mentoring will continue through 2023/24.

Recommendation 12

The Council should ensure “The Big Plan” and the Corporate Strategy are aligned and there is one single vision statement of the key priorities for the BCP area and how the Council will work to deliver to those priorities.

Why/impact

Our review noted that that there was no direct correlation between the Big Plan and the Corporate Strategy. The Council needs a combined Corporate Strategy and vision for the place and for the Council. That will clarify the key priorities for the Council and will guide the preparation of future budgets. There has been confusion as to the stated ambitions of the administration and financial envelope to deliver these

Management comment

Since May 2023 the new administration and CMB have been working together to develop a new corporate vision for the place and for the Council that will clarify the key priorities for the Council and will guide the preparation of future budgets. A public consultation to support this process has now commenced.



Improvement recommendation



Governance

Recommendation 13

The Council should consider appointing one, ideally two co-opted appropriately qualified independent members to the audit and governance committee.

Why/impact

Our review found there were currently no independent members on the Audit and Governance Committee. Inclusion will provide the council with continuity outside of the political cycle and bring a non-political view and approach to committee decisions making.

Management comment

Audit & Governance Committee in July 2023 agreed to engage two independent members and the Council has commenced the appointment process.

Recommendation 14

The Council should undertake a Governance review of BCP FuturePlaces. This should include a re-evaluation of the role BCP FuturePlaces plays in delivering against the Council's Corporate objectives and how going forward it ensures equal distribution of risk and reward between itself and BCP Futures. Consideration should also be given to removing officer or councillor representation to leave one or the other, not both, on the same board. The Leader and Deputy Leader should resign from the Board of BCP Future places and be replaced by a suitable independent Chair and Deputy Chair.

Why/impact

We have concerns about the arrangements in place between the Council and BCP FuturePlaces, specifically the disproportionate level of risks sits with the Council. We noted that the leader and deputy leader were on the Board of BCP FuturePlaces. This could be deemed a conflict of interest given the council is the companies only customer in effect.

Management comment

In response to the recommendations of the government's independent governance review the Council has committed to agree a business plan for BCP FuturePlaces Ltd setting out a clear portfolio of priority projects with a timescale for delivery. In addition as part of the Chief Executives internal governance review the Council has committed to a governance review of BCP FuturePlaces Ltd and its funding.



Improvement recommendation



Governance

Recommendation 15

The Council should ensure:

A) Overview and scrutiny committees should be encouraged to take evidence and contributions from officers as well as portfolio holders, to ensure a more informed approach to O&S recommendations.

B) The Overview and Scrutiny it should focus on policy development and engagement rather than functioning as a pre cabinet scrutiny.

C) Overview and scrutiny (O&S) committees should continue to increase their focus on policy development and engagement rather than pre-Cabinet scrutiny.

D) Council needs to consider the mechanism by which recommendations go to Full Council for decision and how they are managed and debated. The level of delegation should be reviewed and the procedure for proposing and seconding recommendations from the Cabinet and other Committees should be simplified.

Why/impact

A) We found from our discussion with officers there was still a marked reluctance amongst the broader overview and scrutiny committees to ask questions directly of officers and there are regular comments that leading councillors do not give clear answers to questions, but other councillors do not seek that clarity from officers, which they could. The contribution and evidence from officers will lead to improved and more informed decision making at O&S committee.

B) Our findings detailed that there has been little movement in the focus of the two new overview and scrutiny committees (Place and Corporate & Community) that have replaced the Corporate O&S Board, with an ongoing focus on pre-Cabinet scrutiny. This had led to inadequate scrutiny and poor policy development and council wide performance

C) Our review found there was an opportunity to strengthen the focus of O&S on performance management, through the overview and scrutiny committees. O&S Committees for Place and Corporate & Community are contentious and focus on pre-cabinet scrutiny rather than policy development, and performance reporting

Management comment (continued on next page)

Since May 2023 all O&S Committees have appointed a Chair, and in most cases, a Vice-Chair, from outside of the Administration.

Since June there has been a noticeable shift in emphasis within the Council, with officers being invited to contribute on specific issues in Cabinet and this need needs to be extended to O&S committees.



Improvement recommendation



Governance

Management Response (continued)

A full Member induction programme was developed for the post-election period from May 2023 which included a session on Overview & Scrutiny as part of the essential training. The session covered a number of things including the purpose of scrutiny, the role of councillors and how to be a critical friend.

The range of inquiry from councillors and the presentation of information by officers in Overview & Scrutiny Committee is much improved and could benefit from additional encouragement and awareness by councillors in asking questions and examining issues

Since the elections in May, the administration has sought to restructure Overview and Scrutiny, which will establish a closer link to the Cabinet cycle for one O&S Committee but keeps the other 3 committees removed from the Cabinet cycle. This is due to come before Council in September 2023.

60

Recommendation 16

The Council should ensure that the risk register reflects the realistic position on the transformation programme and the Councils Financial sustainability

Why/impact

Our review found a disconnect between the risk registers progress report on the transformation programme and Financial monitoring report for both 2021/22 and 2022/23 The delivery of the Transformation programme is essential to the Councils ongoing financial stability in the medium term

Management comment

The Council considers that the risk register does robustly reflect the position in respect of transformation and financial sustainability but will consider if the links can be further strengthened.

Improving economy, efficiency and effectiveness



We considered how the Unitary Authority:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Assurance Review (March 2023) & Best Value Notice (August 2023)

As detailed in the Financial Sustainability portion of this report, during September 2022 the Minister of State wrote to the Council Leader stating that the government continued to have significant concerns about the strategic financial direction of the Council. He required the Council to produce a full plan for addressing its budget gap in 2023/24 and beyond by the end of September 2022. Secondly, he stated that the Council would need to agree to an external assurance review of its finances and governance arrangements. The Council, via a letter from the Chief Executive, accepted the conditions placed on the availability of a capitalisation direction and indicated the Council would engage positively and proactively with the governance review.

Prior to the completion of the external review the Chief Executive undertook an internal Assurance Review (published in March 2023) which detailed several issues within the Council ranging from Political and Financial Governance, Culture and Leadership, Performance, and Capacity and Capability. The report concluded with 33 recommendations and a RAG rating on progression.

In August 2023, the DHLUC issued its Best Value notice, which detailed 8 key recommendations and 11 step roadmap for improvement with target dates for the Council. In relation to both reports our review concurred with the many of findings which are detailed in this VFM report and summarised in our improvement recommendations which this report.

Performance management and areas for improvement

Performance measures, comparing outcomes and outputs with targets, goals and objectives are used across the Council to understand and manage service delivery and identify emerging business risks. The Corporate Strategy which underpins the Council's Big Plan, represents the strategic objectives that the Council has set out to achieve and is a vital framework for the Council's performance management. We noted in Governance there was a lack of alignment between the Big Plan and the Corporate Strategy and detailed an improvement recommendation in relation to this.

Based on the key performance report we viewed between 2021/22 and 2022/23, generally BCPs services appear to perform reasonably well, except for Children's Services which is covered further in this report. However, Officers raised concerns have there had been too much focus on regeneration and particularly the "beech huts proposal at the expense of ensuring the key services improved performance.

The performance of the planning team has been under scrutiny and a Planning Improvement Board has been established chaired by the Chief Executive to drive performance improvements. The 2021/22 annual report of the Local Government Ombudsman shows that the number of complaints dealt with are comparable to those of other similar Councils. Although the Council is performing below the average for providing satisfactory remedies to complaints before they reach the Ombudsman.

Improving economy, efficiency and effectiveness

The Council does not have a centralised case management system for complaints which makes it difficult to get an accurate picture of complaints received or a corporate review of how well complaints are dealt with.

Performance in relation to Children's Services

Since the full inspection by OFSTED in December 2021, the inspectorate reported in February 2022 that

“There has been progress since then despite the challenges of the COVID-19 pandemic and the complexities of local government reorganisation. The creation of new specialist services and strengthened infrastructure are starting to make a positive difference, but it is too early to see an impact for many children and their families.

There remain too many areas where progress has been neither sufficiently swift nor decisive. The application of quality assurance processes does not give senior leaders a reliable or accurate picture of the quality of social work practice. The quality of this practice is too variable, with much being poor. Thresholds for intervention are not applied consistently, and the oversight of managers is too variable in quality.

Multiple changes of social workers and managers in some teams also contribute greatly to the lack of focus and urgency for many children. There are still serious and widespread weaknesses in the quality of children's services that leave vulnerable children at risk of harm. Specialist services aside, the core business of reducing the risks to children in need of help and protection is yet to have a consistent and effective impact.”

In July 2021 another inspection was undertaken. This inspection was a joint Ofsted and Care Quality Commission

inspection and assessed the Council's effectiveness in implementing the new special educational needs and/or disabilities (SEND) reforms achieved.

This inspection identified a significant number of areas of weakness and required that the Council along with the clinical commissioning group (CCG) submit a Written Statement of Action to Ofsted by 7 December 2021.

Prior to this inspection the Council were aware that improvements were required and in December 2020 had identified several recommendations to try and prevent a Written Statement of Action being issued should an inspection take place. However, this objective was not

This inspection identified a significant number of areas of weakness and required that the Council along with the clinical commissioning group (CCG) submit a written Statement of Action to Ofsted by 7 December 2021.

A further monitoring visit in June 2022 which focussed on the 'front door' service highlighted continuing concerns. Progress included the appointment of a permanent Corporate Director of Children's Services, but the Council recognised that time was necessary for these changes to fully impact on service.

A second monitoring visit on 4 and 5 October 2022 concluded, at the time of the last inspection, too many children in Bournemouth, Christchurch and Poole were not being kept safe. It was of particular concern that very young children were left in unsafe situations where the risks to their welfare was not assessed or met. The local authority, was supported by an improvement partners to deliver sustainable improvement plan aimed at providing a better-quality service for children.

There was the third monitoring visit on 21 and 22 March 2023 since the local authority was judged inadequate in December 2021. The inspectorate reported that quality assurance of social work practice continues to improve. Practice learning reviews (PLRs) were having an increasingly positive impact on practice. Compared to the last monitoring visit, PLRs continue to identify most gaps in practice, and this was increasingly translated into actions for social workers and their supervisors, and completed within set timescales, however the direct impact on children's lives are yet to be fully realised.

A new Department of Education (DfE) Advisor and Sector Led Improvement partner (SLIP) was appointed by the DfE to create a strong framework and to guide the necessary improvements, whilst supporting the Council and Children's Services. The DfE intervention did not involve a formal commissioner role but did imply that structural governance of the service was an immediate issue.

The DfE steer throughout has been clear that if progress is not effective in the short term, structural intervention, such as a Children's Trust could not be ruled out. The DfE Advisor made it clear in his first report, that there were two critical areas following his assessment for improvement, these included: The state of the services themselves and corporate and political context in which the service operates.

Although there has been some improvement in the service, the Council's Children's services remain inadequate, leading us to conclude that there is still significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages risks in relation to its Children Services

Improving economy, efficiency and effectiveness

Adults Social Care

In common with many other unitary authorities there are challenges at the interface of health and social care, particularly in terms of hospital discharge and social care. There are challenges with the increased acuity of people being discharged from hospital and the hospital itself is concerned about the numbers of patients well enough to be discharged who remain in hospital

The Council has witnessed unprecedented challenges and pressures in relation to health and social care services, particularly in relation to National Hospital Bed targets of 95% and target discharge of hospital patients. Further consideration needs to be made to strength partnerships working with the health sector and identify efficiencies and cost reductions. The council should strengthen preventative services to prevent increase demand and pressures on high costing residential services

BCP Council has volunteered for a bespoke Safeguarding Practice Review in preparation for the CQC Assurance Framework. This review will look at the delivery of Adult Social Care (ASC) Safeguarding services within the Council. This is critical for ASC and the outcomes will be shared with CQC as part of their assurance visit, as well as with the LGA who have allocated consultancy funding to the Council to support this.

Learning from others

The Council has consistently reached out to the LGA and taken advantage of the support networks available at a corporate or service level. However, the Council needs to improve the speed of follow-up for the action planning to

have maximum effect. The Corporate Peer Challenge (CPC) was a good example where the concept was embraced and adopted but the return visit was delayed, reducing the impact of the outcomes. There has been good levels of acceptance for the recommendations coming out of the CPC and other reviews, both internal and external. The Council has volunteered for a bespoke Safeguarding Practice Review in preparation for the CQC Assurance Framework. This review will look at the delivery of Adult Social Care (ASC) Safeguarding services within the Council. This is critical for ASC and the outcomes will be shared with CQC as part of their assurance visit, as well as with the LGA who have allocated consultancy funding to the Council.

Data Quality

We considered how the Council gained assurance over the accuracy of the information reported to elected members and identified that the Council does not have an agreed and consistent approach to ensuring the reliability and consistency of data quality.

The Council does not have a data quality policy, although the Council has raised the importance of data quality within its performance management framework. The performance management framework identifies the importance that all information is 'founded on high quality, reliable and timely data'.

We consider a data quality policy would be beneficial for the Council. It would set out an agreed approach to ensuring the reliability and consistency of data quality across the Council. It could also set out who is responsible for ensuring the quality and accuracy of data used throughout the Council. We have made an improvement recommendation on this.

Annual Governance Statement 2021/22

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:

A) Governance of Children's Social Services: The most significant challenge for children's social care is the ability to recruit and retain a highly skilled workforce. High agency usage continues to mean tackling practice inconsistencies is difficult, hence recruitment and retention being a key priority moving forward.

B) Governance Arrangements with External Bodies During 2021/22, significant work has been undertaken to improve the governance in these areas., however we have reported on the issues in relation to BCP Futureplace in both financial sustainability and Governance section of this report.

C) Delay in the completion of the 2020/21 External Audit. The delay is caused by national issues regarding the accounting treatment and auditing of infrastructure assets which is affecting approximately 50% of local authorities, and therefore, out of the Council's direct control.

Procurement and contract management

During 2021/22 and 2022/23 the Council did not have an agreed procurement strategy, although it does have procurement and contract processes within the financial regulations and agreed guidance in order to guide

Improving economy, efficiency and effectiveness

procurement activity. On this basis the Council is not currently compliant with its financial regulations which state that the Chief Finance Officer is responsible for ensuring an effective overarching procurement strategy is in place.

The Council is aware of this and is looking to improve its commissioning and procurement function as part of its transformation agenda. The Council is in the process of establishing a centre of excellence and introduced a centralised approach to procurement. From our review we are not aware of any evidence that the Council has failed to operate a fair procurement process in 2021/22 and 2022/23 for any of its significant contracts.

The table from the Annual Breaches & approved Waivers of Financial Regulations Report 2021/22 details contract waivers:

Table 3 Annual Waiver and Breaches report 2021/22

| | 2021/22 | | 2020/21 | | 2019/20 | |
|-----------------|------------|---------|----------|---------|----------|---------|
| | Breaches | Waivers | Breaches | Waivers | Breaches | Waivers |
| Total (count) | 4 | 77 | 5 | 116 | 8 | 66 |
| Total (£ value) | £1,347,429 | £6.3M | £870,561 | £12.6M | £171,625 | £13.8M |

The lower number (77) of approved waivers in 2021/22 showed a reassuring drop from the exceptional Covid-19 impacted 2020/21 year (116). The comparison by £ value provided further reassurance that significantly less Council expenditure was subject to an approved waiver. This meant that a greater proportion of the Council’s total expenditure was subject to the full procurement requirements set out in the Council’s Financial Regulations

BCP FuturePlaces Ltd

BCP FuturePlaces Ltd was established in 2021 and is the Council’s wholly owned Urban Regeneration Company. It was set up to ensure that that BCP has the capacity, expertise and resources to drive investment in regenerations and unlock value from major council owned sites.

We found in our review, several areas of concern. This included the governance arrangement and the relationship with the Council discussed in the previous section. Further we had concerns about how the Council commissions work from BCP FuturePlaces. The Council did not have a clear business plan for BCP Future Places Ltd and its expectations of how the company would help deliver the Council’s regeneration programme. Further there was evidence of scope creep and an unclear commissioning of services by the Council from the company.

The Bayside Restaurant

The Council opened Bayside Restaurant between Bournemouth and Boscombe piers in August 2022. The eatery was funded by the council and was open for just one month in a barn-style wooden framed marquee. Ahead of its opening, BCP Council said the restaurant was part of its plan to assess the “viability” of allowing more hospitality activities on the beach, to create ‘more local jobs and encourage tourism’, However the scheme lost more than £175K in 4 weeks. An internal audit investigation found there were no formal business plans or project plans in place for individual pop-ups and lessons were not learned from a failed similar ‘upmarket’ undertaking at West Cliff earlier in 2022. Further the decision-making arrangements were difficult to determine with no clearly documented formal decision record beyond the limited detail contained within Procurement Waivers.

The decision to proceed with Bayside appears to have been made by the Director of Destination & Culture in June 2022. Officers and third-party contractors felt that, even when they raised concerns, these were dismissed on the basis that Bayside was a trial and it was what councillors and/or the Council wanted. The internal audit investigation detailed 18 recommendations.

However as detailed in Governance section it is imperative that members set the correct “tone” from the top and that the council has a framework to robustly scrutinise investment and commercial opportunities and ensure sound decisions are made which consider risk and reward and a return on investment. This once again, highlights the importance of decision making based on complete and accurate information that fully reflects the risks as well as the rewards.

Concerns over the basis of such decision making on specific initiatives including the transformation programme, BCP FuturePlaces and other service delivery models as well capital projects and small investments such as the Bayside Restaurant initiative are indicative of a significant weakness in arrangements for ensuring economy, efficiency and effectiveness in the use of resources.

Transformation

We have detailed in this report the change in funding arrangements around the programme. A critical issue for the council is generating enough capital receipts to finance its transformation programme over the 3-year period to 31 March 2025. The Council on 10 January 2023 agreed to establish a cross-party working group to review the capital disposal strategy for 2023/24 with an intention that this group makes recommendations to assets that should be sold. It is imperative that the Council can ensure value for money in relation these sales given the challenging timetable.

Improving economy, efficiency and effectiveness

As part of the Council's Transformation Programme, the Council has invested in a new comprehensive Microsoft based Enterprise Resource Planning (ERP) system. It is a comprehensive and intuitive system which brings together finance and HR and allows a greater degree of self-service by budget holders.

However, a further risk we noted during our review was Officers stating there were problems reporting from the new systems. Particularly mapping FTE information to budget and costs. We note that this could be a considerable issue to enabling the Council to control and manage its finances during a very critical time.

Debt Management

Although the current level of debt held by the Council is significant below its debt threshold, it remains critical that any proposals to take on additional debt are robustly scrutinised to ensure they are affordable, prudent, and sustainable. Debt repayment is the first call on any resources generated by the Council, even before the provision of statutory services. Further debt should only be supported where the project is self-funding and is affordable, prudent, and sustainable or would significantly reduce the annual operating expenditure of the Council or generate significant inward investment via government funding.

Capacity

There has been significant turnover of the senior leadership team since the Council established itself in 2019. A new structure has been adapted to respond to developing circumstances and pressures. The senior team is now made

up entirely of permanent appointments who have been in place since 2022/23. Further the Chief Executive. The Chief Executive has put in place a senior officer reorganisation which will result in him having fewer direct reports and will provide greater strategic support. Two of the new posts were vacant at the time of the review and it will be important that these posts are filled with permanent appointments as a matter of urgency.

During our review many of the Senior Management Team (SMT) stated they had pressures around recruitment and retention, with high levels of vacancies, and extensive use of temporary and agency staff. It must be made clear that this is not unique to the authority and is a nation-wide issue in the local Government. The council has a People Strategy which issued in 2019 and covers the period to 2023. We recommend that it is refreshed and ties into the Council's corporate strategy, and links to the ambitions of the transformation agenda and savings programme.





Improvement recommendation



Improving economy, efficiency and effectiveness

Recommendation 17

The Council should develop a Council Wide case management system for complaints

Why/impact

The Council does not have a centralised case management system for complaints which makes it difficult to get an accurate picture of complaints received or a corporate review of how well complaints are dealt with.

Management comment

Proposals are current being drafted for consideration by the Corporate Management Board during the next quarter.

Recommendation 18

The Council should refresh its People strategy considering its transformation programme and savings programme

Why/impact

The council has a People Strategy which issued in 2019 and covers the period to 2023. We recommend that it is refreshed and ties into the Council's corporate strategy, and links to the ambitions of the transformation agenda and savings programme.

Management comment

Following a period of extensive consultation, the new People strategy will be launched in September 2023. The strategy will cover the period to 2027 and has been aligned to both the new Corporate Strategy and the transformation programme.

Follow-up of previous recommendations

67

| | Recommendation | Type of recommendation | Date raised | Progress to date | Addressed? | Further action? |
|---|--|------------------------|----------------|--|------------|-----------------|
| 1 | The council should urgently identify options to balance the books into the medium term should the current Capital Direction proposal not be realised in part or full. Specifically scenario planning assessing what changes to service provision (both savings and income growth) would be necessary to enable the council to balance the budget | Statutory | September 2022 | The approved 2023/24 budget was one based on traditional and conventional approaches to the formation of a local authority budget and was in line with the spirit and intent of all local government finance legislation. This included a 4.99% council tax increase, an additional investment of £1.9m into unearmarked reserves and £34.3m of savings and efficiencies. The 2022/23 Financial Outturn report to July 2023 Cabinet confirms the council avoided the use of the Capitalisation Direction in 2022/23 principally through asset sales to funded its transformation programme (via the Flexible Use of Capital Receipts) and through on-going expenditure controls. | No | Yes |
| 2 | The Council should also consider what additional assets could be disposed to fund transformation. Even if the current proposal on a Capitalisation Direction come to fruition, capital receipts will invariably form part of the strict conditions. If this direction is not awarded in full then even more capital receipts to fund transformation will be required | Key | September 2022 | A review of potential assets available for sale is underway to fund future year transformation costs should no further Capital Directions be forthcoming from government. This was reinforced in the recommendation of the Finance Update report to the 7 September 2022 Cabinet which reads as follows "Agrees to bring forward a capital receipts schedule for additional, non-strategic, asset sales that could be used as an alternative method of financing the Council's Transformation Investment Programme via the Flexible Use of Capital Receipts (FUCR)". | Yes | Yes |

Follow-up of previous recommendations

68

| | Recommendation | Type of recommendation | Date raised | Progress to date | Addressed? | Further action? |
|---|---|------------------------|----------------|---|------------|-----------------|
| 3 | The Council should provide more information on the increasing costs of the transformation programme alongside the associated savings, the proposed timelines for implementation and ongoing reporting of delivery against these milestones to ensure further slippage is minimised and savings and the associated improvements in the service provision are realised. The Council should also ensure that is periodical clear reporting is provided on the benefits realisation of the transformation programme against original expectations | Statutory | September 2022 | The 2023/24 Budget report to full council and the 2022/23 financial outturn report to July 2023 Cabinet contain an enhanced level of reporting and transparency around the transformation investment programme be that its costs (one-off or ongoing) and the associated savings. | Yes | Yes |
| 4 | The Council should continue to address the weaknesses identified by Ofsted to ensure all children have access to quality services and meet their needs on a timely basis. | Key | September 2022 | The 2023/24 Budget approved a further £14.6m investment into Children's Services excluding pay based costs. Since then a further £189k one-off investment into Children's commissioning has been agreed, funded via Earmarked Reserves, by the Corporate Director for Wellbeing and a £784k one-off investment into the Special Educational Needs and Disability service funded by a redirection of Earmarked no longer needed for their original purpose. In addition July Cabinet will be asked to make a £4.462m one-off investment into the Children's Services Improvement and Transformation journey funded by a combination of unearmarked reserves (improvement expenditure) and the flexible use of capital receipts (transformation). | No | Yes |

Follow-up of previous recommendations

69

| | Recommendation | Type of recommendation | Date raised | Progress to date | Addressed? | Further action? |
|---|---|------------------------|----------------|---|------------|-----------------|
| 5 | The Council should ensure that both in year and outturn reports are clearer on delivery of savings against original budget. This becomes more critical given the greater reliance on delivery of savings via the transformation programme going forward | Statutory | September 2022 | As stated in the response to question 3 the outturn report includes an enhanced level of reporting in regards to transformation savings. Moving forward the intention is that the Quarter One report for 2023/24 includes an enhanced level of monitoring in regards to the wider budgeted savings. | No | Yes |
| 6 | The Council should ensure that its risk management arrangement are capable of identifying capturing and monitoring innovation but often 'high risk' schemes such as the 'beach hut' proposals thus ensuring members are fully sighted on the underlying assumptions risk and rewards to allow course correction if such schemes are not delivering the intended benefits at planned time. | Key | September 2022 | The 2022/23 budget report clearly set out the risk associated with the securitisation of the beach hut income stream and the fact that the budget would need to be redrawn if the model was not implemented. As this risk materialised the council took proactive steps to manage the 2022/23 in-year position which resulted in an underspend as part of the process for managing the 2022/23 and 2023/24 budgets. | Yes | No |
| 7 | The Council should consider aligning the risk reported in the risk register to the Council's Corporate Objectives | Improvement | September 2022 | <p>The Corporate risks are now aligned to the Council's Corporate Objectives and reports on Corporate Risks include this information.</p> <p>A new Corporate Strategy Framework is under development and as this moves forward the corporate risks will be reviewed in the context of this framework and the corporate objectives.</p> | Yes | No |

Follow-up of previous recommendations

70

| | Recommendation | Type of recommendation | Date raised | Progress to date | Addressed? | Further action? |
|----|--|------------------------|----------------|--|------------|-----------------|
| 8 | The Council should consider the capacity of the finance team and its over reliance on a limited number of individuals. The Council should also implement a more thorough process of review of the financial statements to prevent material errors from arising including where an external expert such as a property valuer was engaged. | Improvement | September 2022 | The future Target Operating Model for the whole council includes a new specific element relating to the design and operation of the finance functions. This will be implemented as the evolution to the new model takes places. In addition, an internal team within financial services has been created as a Quality Assurance process in support of the statement of accounts. | No | Yes |
| 9 | The Council should consider separating the category 1 members interests between those where member or officers controls the entity rather than where a standard employment relationship exists | Improvement | September 2022 | Officers have considered this proposal and raised it through the Constitution Review Working Group. It is felt that the proposal may not align with the LGA Model Code of Conduct and Guidance but it will be kept under review. | No | No |
| 10 | The Council should provide more timely corporate reports for Cabinet | | September 2022 | The end of year 2022/23 performance report is on the Cabinet agenda for July 2023. In line with our agreed protocols the council will continue to report both the mid-year and year end position with quarterly report to the Leadership in the intervening periods. An automated reporting process will be built based around the new corporate strategy. | No | Yes |

Follow-up of previous recommendations

71

| | Recommendation | Type of recommendation | Date raised | Progress to date | Addressed? | Further action? |
|----|--|------------------------|----------------|---|------------|-----------------|
| 11 | The Council should agree a data quality policy | Improvement | September 2022 | | | |
| 12 | The Council should strengthen its partnership arrangements. This should include: Defining partnerships Determining the importance including those which directly contribute to corporate objectives of the partnership Agree the monitoring and assessment arrangements including the role of members for each partnership agree a consistent template for the partnership register and consider expanding the content with information detailed above | | September 2022 | The Annual Governance Statement supporting the 2022/23 Accounts states that the Council now believe that its partnership arrangements have been sufficiently enhanced for the item to be removed from the statement. Partnerships – draft documentation, including definitions, guidance, templates and registers have all been produced, with agreement, adoption and roll out by the action plan agreed 31/3/2023. | Yes | No |
| 13 | The Council should develop and adopt a procurement strategy | | September 2022 | Previously the councils procurements arrangements were set out in detail as part of its financial regulations. The Council is in the process of lifting them out of this document and updating them for recent government guidance and good practice and elements like social value to create a overarching procurement and contract management strategy for the authority. The current intention is that the new procurement and contract management strategy is presented to Cabinet in September/October 2023. | No | Yes |
| 14 | The Head of Internal Audit should not be part of the authorisation process for contract waivers | | September 2022 | Actioned | Yes | Yes |

Opinion on the financial statements



Audit opinion on the financial statements

As at the 31 August 2023 our work on the Council's financial statements for 2021/22 is in progress. We recommenced our post-statements audit in July 2023 and are aiming to conclude our work later in the year.

72 Once we conclude 2021/22 our attention will turn to the 2022/23 audit.



Appendices

Appendix A – Responsibilities of the Unitary Authority

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

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

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

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

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Unitary Authorities ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Unitary Authority will no longer be provided.

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



Appendix B – An explanatory note on recommendations

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

| Type of recommendation | Background | Raised within this report | Page reference |
|------------------------|---|---------------------------|----------------|
| Statutory | Written recommendations to the authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. | No | N/A |
| Key | The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the authority. We have defined these recommendations as ‘key recommendations’. | Yes | 9-13 |
| Improvement | These recommendations, if implemented should improve the arrangements in place at the authority, but are not a result of identifying significant weaknesses in the authority’s arrangements. | Yes | 24-25,32-36,42 |

75

Appendix C – Sources of evidence



Staff involved

- Adam Richens, Director of Finance
- Nigel Stannard, Head of Audit Services
- Betty Butlin, Director of Adult Social Care
- Cathi Hadley, Director of Children's Services
- Phil Hornsby, Service Director Procurement and Commissioning
- Graham Farrant, Chief Executive
- Isla Reynolds, Service Director Marketing, Comms and Policy
- Bridget Webber, Head of Policy and Research
- Katie Lacey, Head of Transformation
- Susan Zeiss, Monitoring Officer
- Jess Gibbons, Chief Operating Officer



Documents Reviewed

- Corporate Quarterly Performance Reports 2021/22 and 2022/23
- Council Plan 2022-25
- Cabinet Reports 2021/22 and 2022/23
- Audit Committee Papers 2021/22 and 2022/23
- Letter of Joint Area SEND revisit in BCP
- Annual Governance Statement 20-21
- Directorate Plans 2021/22 and 2022/23
- Capital Programme Monitoring
- Statement of Accounts 2021/22
- Procurement Strategy 2022
- Procurement Improvement Plan 2022
- Corporate Risk Reports
- Members Code of Conduct
- Employee Code of Conduct
- Audit Services Annual Performance Report 2021/22
- Anti-Fraud and Corruption Strategy
- Audit & Standards Annual Report 21/22
- Corporate Procurement Audit Report
- Waiver Record
- BCP Governance Review 2023
- Treasury Management Strategy 21/22, 22/23
- Revenue Outturn 21/22, 22/23
- Workforce Strategy
- Budget Reports 21/22, 23/24
- Cash Flow Forecast
- Medium Term Financial Strategy
- Department for Education, Guidance on our intervention work with local authorities October
- Annual Report of the Committee on Standards in Public Life
- Risk Management Report
- Code of Corporate Governance 2022
- Whistleblowing Policy
- BCP Unitary Constitution
- Internal Audit Plan Report 22-23
- Internal Audit Plan 21- 22, 23-24
- Annual Overview and Scrutiny Report 2021-22
- Appointments Committee Reports Pack April 2023
- Senior Leadership Team Structure
- Exemptions from the requirement for a competitive procurement process
- Children and Young People 's Plan Update Report

Appendix D - Key acronyms and abbreviations

The following acronyms and abbreviations have been used within this report

NAO – National Audit Office

AGS – Annual governance statement

The Code - Code of Audit Practice

CIPFA – Chartered Institute of Public Finance and Accountancy

VfM – Value for Money

SLT – Senior Leadership Team

BCP – Brighton, Christchurch and Poole Unitary Authority

DSG – Dedicated Schools Grant

DfE – Department for Education

MTFP – medium term financial plan

PSIAS – Public Sector Internal Audit Standards

S151 – Section 151

VFM – Value for Money

IMO – independent monitoring officer

FAFE – Forging a Future Executive

KPI – key performance indicator

HR – human resources

SLA – Service Level Agreement

PMO – Project Management Office

SEND – special educational needs and disabilities

NPLSG - National Procurement Strategy for Local Government

DHLUC - Department for Levelling Up, Housing and Communities

SPV – Special Purpose Vehicle

FUCR – Flexible Use of Capital receipts

EHCPs - Education, Health, and Care Plans



AUDIT AND GOVERNANCE COMMITTEE

| | |
|----------------------------|--|
| Report subject | Review of the Council's Constitution - Recommendations of the Constitution Review Working Group |
| Meeting date | 7 September 2023 |
| Status | Public Report |
| Executive summary | <p>The report summarises the issues considered by the Constitution Review Working Group and sets out a series of recommendations arising from the Working Group for consideration by the Committee including proposed changes to the overview and scrutiny arrangements.</p> <p>Any recommendations arising from the Committee shall be referred to full Council for adoption.</p> |
| Recommendations | <p>It is RECOMMENDED that:</p> <ul style="list-style-type: none"> (a) in relation to Issue 1 (Overview and Scrutiny Structure and Arrangements) the proposed amendments to Parts 2, 3, 4 and 7, as set out in Appendix 3 to this report, be approved with an implementation date of 29 September 2023; (b) in relation to Issue 2 (salary Sacrifice Scheme for Councillors):- <ul style="list-style-type: none"> (i) the proposed amendment to insert a new Section 8 into Part 7 (Scheme of Members' Allowances), as set out in paragraph 35 to this report, be approved; (ii) the Chief Executive be delegated authority to determine from time-to-time which benefit schemes are to be made available to councillors; (c) in relation to Issue 3 (Schedule of Council Meetings – Change of Date, Time and Venue), the amendment to Part 4D, Procedure Rule 1, as set out in paragraph 39 to this report, be approved; (d) any necessary and consequential technical and formatting related updates and revisions to the Constitution be made by the Monitoring Officer in accordance with the powers delegated. |
| Reason for recommendations | To make appropriate updates and revisions to the constitution following consideration by the Working Group. |

| | |
|--------------------|--|
| Portfolio Holder: | Councillor Vikki Slade (Leader of the Council and Portfolio Holder for Dynamic Places) |
| Corporate Director | Ian O'Donnell (Director of Resources) |
| Report Authors | Richard Jones (Head of Democratic Services) |
| Wards | Not applicable |
| Classification | For Recommendation |

Background

1. The Terms of Reference of the Audit and Governance Committee include 'Maintaining an overview of the Council's Constitution and governance arrangements in all respects'.
2. In discharge of this responsibility the Committee established a Constitution Review Working Group of five of its Councillors. The current members of the Working Group are Councillor Phipps (Chair) and Councillors Andrews, Beesley, Castle and Connolly. Since its establishment in July 2020, the Working Group has continued to meet on a regular basis to consider requests for change. The Group receives advice from various officers including the Monitoring Officer and Head of Democratic Services. From time to time, as required, Officers and Councillors with specialist responsibility have been invited to have an involvement.
3. Since its establishment, the Working Group has continued to meet on a regular basis and completed various phases of its work. Recommendations that were agreed by Council have been implemented and incorporated into a revised and updated version of the Constitution and published on the Council's web site.
4. The Working Group has considers suggestions received from a wide variety and range of sources including input from Councillors and Officers.

Format

5. Throughout the work of the Group a 'Forward Plan' of issues has been maintained and added to as additional issues have arisen. This approach will continue to be adopted for capturing future issues.
6. Any proposed changes to the Constitution are shown with track changes in the appendices to this report (and where changes are proposed to individual paragraphs these are embedded into the body of this report in red outline boxes) to assist members identifying the proposed changes. Page number references are to pages within the current Constitution.

Options Appraisal

7. The Working Group considers carefully whether or not changes are necessary on each issue raised. If supported the Working Group determines the proposed alterations to the wording which forms the basis of the recommendations to the Audit and Governance Committee. This report sets out the proposed changes following those deliberations.
8. For ease of reference, each matter considered will be referred to as an Issue with a corresponding number which will be referenced through the report and recommendations.

ISSUE 1 – OVERVIEW AND SCRUTINY STRUCTURE AND ARRANGEMENTS

9. The existing arrangements for Overview and Scrutiny were introduced in May 2022 following discussions held over several meetings with a final decision being taken at a reconvened meeting of Council on 10 May 2022.
10. The structure in place at the current time is set out in Appendix 1 detailing the areas of responsibility of each committee, which moved from a three board/committee structure to four committees.
11. Following the elections in May 2023, the new administration indicated a desire to review the arrangements for Overview and Scrutiny, Planning Committee, Traffic Regulation Order decision-making, models of governance and community engagement. This paper focuses on the Overview and Scrutiny Committee arrangements which was indicated as a priority but it is recognised that these other ambitions are still to be reviewed in the current municipal year and will have potential resource implications.

Existing Overview and Scrutiny Arrangements

12. The principal headline components of the existing arrangements for overview and scrutiny committees are as follows:-
 - there are four overview and scrutiny committees;
 - each committee has equal status with no overarching responsibility for cross-cutting issues;
 - each committee shall hold five ordinary meetings per municipal year; and
 - each committee may commission two concurrent working groups.
13. It was suggested that the benefits of these arrangements were to move away from a focus on pre-cabinet report scrutiny and to increase the ability of each committee to undertake topic-based commissioned scrutiny through task and finish and working groups.
14. However, as a consequence of these arrangements, chairs of committees have felt it necessary to convene additional special meetings to consider priority matters. These unscheduled meetings place additional pressures on the limited resources available. It is fortunate that the committees have not seen it necessary to utilise the additional task and finish and working group facilities as resources do not exist to support eight concurrent scrutiny groups.
15. Best practice for scrutiny recommends that arrangements should be in place to deal with cross-cutting business. This is currently delivered by discussion and negotiation between respective chairs which could be time-consuming and has the potential to introduce inconsistencies.

Proposed Model for Overview and Scrutiny

16. As indicated in paragraph 3, the new administration has indicated a desire to review the arrangements seeking to strengthen the Overview and Scrutiny function. To achieve this it is proposed to:-
 - rename the Corporate and Community Overview and Scrutiny Committee to the Overview and Scrutiny Board;
 - the Board to have overall responsibility for Overview and Scrutiny function oversight, development and reporting;
 - the schedule of meetings for the Board be increased to ten meetings per municipal year to shadow meetings of Cabinet;
 - the frequency of meetings for other committee remaining at five per municipal year;

- the remit of the Place Overview and Scrutiny Committee be narrowed slightly, thus increasing the ability of the committee to examine issues in greater detail from a sustainability perspective;
 - the Place Overview and Scrutiny Committee being permitted to appoint two independent co-opted non-voting members to the committee. The selection and recruitment process to be presented and approved by the committee, if approved by Council.
17. The Working Group considered these principles, discussed the name and remit of each committee and determined that of the existing functions, those falling under the portfolio for Dynamic Places should transfer from the existing Place O&S Committee to the Board. Appendix 2 to this paper sets out a revised structure which reflects the Working Group deliberations and recommendations, including the change of name of the Place Overview and Scrutiny Committee to the Environment and Place Overview and Scrutiny Committee.
 18. Under the revised model, cross-cutting business and call-in arrangements would fall within the remit of the Overview and Scrutiny Board. This was considered to provide both clarity and reduce the risk of inconsistency but also allow for more timely consideration of business with frequent meetings and develop specialist knowledge of call-ins at the Board.
 19. It is proposed that the new arrangements are implemented from 29 September 2023 to allow the meeting of the Corporate and Community Overview and Scrutiny Committee scheduled for 20 September 2023 to proceed under existing arrangements.

Resources

20. The Democratic Services structure was designed to support the service approved by the Shadow Authority. In 2021 the service budget was reduced by 14.9% to support the corporate budget pressures. There have been many changes to the decision-making arrangements since 2019 which have had little or no regard of the wider impact on available resources and the service is now considered to be at maximum capacity.
21. The service is seeking to drive improvements, support recommendations arising from the DLUHC assurance review and implement the Overview and Scrutiny Action Plan considered by the respective committees over recent months.
22. An increase in meeting numbers without a match in the level of officer resource will require that support is diverted from these activities and other proactive planning of effective scrutiny sessions to the core business of only servicing meetings, agendas and minute production. There is a risk that the value of Overview and Scrutiny outputs will be limited as a result.
23. Delays in the delivery of the Overview and Scrutiny Action Plan will impact on improvements and upholding the associated statutory guidance.
24. The Department for Levelling Up, Housing and Overview and Scrutiny state in their statutory guidance for councils and combined authorities that

“The resource an authority allocates to the scrutiny function plays a pivotal role in determining how successful that function is and therefore the value it can add to the work of the authority. Ultimately it is up to each authority to decide on the resource it provides, but every authority should recognise that creating and sustaining an effective scrutiny function requires them to allocate resources to it.”
25. It is estimated that the additional full-year resource requirements to support the increased Overview and Scrutiny Board meetings will be £14,700. In addition, it is likely that the Special Responsibility Allowance for the Chair of the Board will need to be increased following a review by the Independent Remuneration Panel. The full-year

additional cost, based on previous allowances, will be £2,700. These costs will both be subject to National Pay Award increases.

26. The proposal is to implement the changes from 19 September 2023 and as a consequence, it may be necessary to incur additional expenditure in 2023/24 to support the additional meetings of the Board. The service will look to absorb any additional 2023/24 costs within available resources.
27. It should be noted that if the wider changes to committees are introduced, it is estimated that the full-year additional manpower costs will be in the region of £56,000 (including the £14,700) referred to above. These additional costs only include the impact upon Democratic Services. Additional meetings of Overview and Scrutiny Board will have implications council-wide for officer attendance, and changes to other decision-making arrangements may have additional impacts on other services including planning, legal and highways. These will be incorporated into future papers on these respective areas.

Constitution Changes

28. The proposed changes to the Overview and Scrutiny arrangements require alterations to various parts of the Constitution. These are too numerous to embed within this report and have therefore been appended to this report at Appendix 3. The changes are shown in red and include changes to the following Parts.
 - Part 2, Article 6 (Overview and Scrutiny), [Pages 2-13 to 2-16]
 - Part 3A (Responsibility for Functions), [Pages 3-5 to 3-17] (Function of Overview and Scrutiny), and consequential changes to [3-24 to 3-27 (Functions of the Cabinet and Cabinet Members)
 - Part 4A (Access to Information Procedure Rules, [Page 4-6 only] (Interpretation)
 - Part 4C (Overview and Scrutiny Procedure Rules, [Pages 4-25 to 4-34]
 - Part 7 (Scheme of Members' Allowances), [Pages 7-2 to 7-3]

29. RECOMMENDATION

It is RECOMMENDED that in relation to Issue 1 (Overview and Scrutiny Structure and Arrangements) the proposed amendments to Parts 2, 3, 4 and 7, as set out in Appendix 3 to this report, be approved with an implementation date of 29 September 2023.

ISSUE 2 - SALARY SACRIFICE SCHEME FOR COUNCILLORS

30. The Council currently offers a range of salary sacrifice schemes for its staff, including a cycle to work scheme. Currently the schemes are only available to BCP Council employees. Consideration therefore needs to be given to whether to extend the Schemes to Councillors and how to give effect to this.
31. After enquires with HMRC and legal advice, it has been determined that whilst Councillors are eligible to participate in salary sacrifice schemes, there needs to be some form of contractual entitlement permitting them to do so.
32. BCP's contractual arrangement with its Councillors and, more specifically, the arrangement around remuneration is set out in Part 7 of the Constitution, the Members' Allowances Scheme. If a decision is reached to extend the salary sacrifice schemes to include councillors, it would be necessary to amend Part 7 of the Constitution to establish the contractual entitlement.
33. The proposed changes seek to insert a new section 8 into Part 7 (Scheme of Members' Allowances) setting out councillors entitlements, eligibility requirements and arrangements to recover any outstanding payments should a councillor vacate their office.

34. The individual eligible benefit schemes for councillors may change over time or new schemes may become available. As a consequence it would not be appropriate to specify this level of detail in the Constitution. It is proposed to delegate authority to the Chief Executive to determine the relevant benefit schemes for councillors.
35. The proposed changes to Part 7 (Scheme of Members' Allowances), inserting a new Section 8 (Salary Sacrifice) are set out below.

8. Salary Sacrifice

- 8.1. HMRC's view is that the same tax rules apply to elected members who hold office as a local councillor as they do for employees. Councillors are therefore permitted to give up part of their Basic Allowance and/or Special Responsibility Allowance in exchange for certain salary sacrifice schemes available at BCP Council.
- 8.2. Provided Councillors satisfy the various qualifying conditions, they may be entitled to access some of the various salary sacrifice schemes offered by BCP Council. Not all schemes will be available for Councillors to participate in.
- 8.3. In order to access salary sacrifice schemes, Councillors will be required to meet qualifying and affordability criteria in line with legislation and detailed by BCP Council. These criteria may be subject to change without notice.
- 8.4. Applications made by Councillors will be considered on a case-by-case basis, and BCP Council retains full authority in deciding whether to accept any requests.
- 8.5. In the event a Councillor is approved for any salary sacrifice scheme, this is strictly on condition that if they later leave their role as a Councillor, they will reimburse BCP Council any and all outstanding payments or early termination charges incurred in connection with their particular salary sacrifice scheme benefit. This includes authorising BCP Council to deduct any outstanding amounts from the Councillor's Basic and/or Special Responsibility Allowance before paying them the balance.

36. RECOMMENDATION

It is RECOMMENDED that in relation to Issue 2 (salary Sacrifice Scheme for Councillors):-

- (i) **the proposed amendment to insert a new Section 8 into Part 7 (Scheme of Members' Allowances), as set out in paragraph 35 to this report, be approved;**
- (ii) **the Chief Executive be delegated authority to determine from time to time which benefit schemes are to be made available to councillors.**

ISSUE 3 - SCHEDULE OF COUNCIL MEETINGS – CHANGE OF DATE, TIME AND VENUE

37. Procedure Rule 1 (Schedule of Meetings) to Part 4D of the Constitution [page 4-36] sets out the provisions relating to the scheduling of meetings of the council, the abilities of the Chair to convene extraordinary meetings for specific business and includes provisions permitting chairs of committees and cabinet to alter dates, times and locations of their respective meetings.
38. However, in respect of the later, there is a general presumption against altering the date, time and venue of council meetings but the Constitution is silent on the circumstances when this general presumption may not apply.
39. Although the general presumption against altering meetings will still remain, the proposal below seeks to clarify when it may be appropriate to alter the date, time or venue of a meeting of council and the process to be followed.

1. Schedule of meetings

- 1.1. Full Council will determine the annual schedule of meetings for the Council, Cabinet, Committees and Sub-Committees, including the date, time and location. Where practicably possible, the month of August should be avoided when scheduling meetings, briefings, workshops, training and extraordinary meetings. There will be a general presumption against alterations to the date, time and venue for meetings.
- 1.2. In the event of exceptional circumstances beyond the control of the council or where it would be detrimental to the effective delivery of council business to proceed with a scheduled meeting, the Chair, in consultation with the political group leaders, may alter the date, time and/or location of a meeting of council.
- 1.3. An Extraordinary Meeting of the Council can be called by the Chair, or five Councillors can ask the Chair, in writing, to call an Extraordinary Meeting. If the Chair does not agree, then those Councillors can call the meeting by giving written notice to the Monitoring Officer. The Monitoring Officer, in consultation with the Chair, may also call an Extraordinary Meeting.
- 1.4. When it is necessary to alter the date, time and/or location of the Cabinet, a Committee or Sub-Committee meeting, or to arrange a special meeting of the Cabinet, a Committee or Sub-Committee, the Monitoring Officer or appropriate Democratic Services Officer will consult the Leader/Chair of the relevant Cabinet, Committee or Sub-Committee before any action is taken. The Leader/Chair of the Cabinet, Committee or Sub-Committee will then determine the matter.

40. RECOMMENDATION

It is RECOMMENDED that in relation to Issue 3 (Schedule of Council Meetings – Change of Date, Time and Venue), the amendment to Part 4D, Procedure Rule 1, as set out in paragraph 39 to this report, be approved.

Summary of financial implications

41. The report details the additional cost of changing the Overview and Scrutiny structure with a full year cost estimated at £14,700 for direct manpower plus £2,700 for additional special responsibility allowances for the Chair of Overview and Scrutiny Board. The in-year cost for the remainder of 2023/24 are likely to be met from existing resources.

Summary of legal implications

42. The Constitution of the BCP Council complies with relevant legislation. Where appropriate, the Constitution references relevant legislation which underpins specific procedure rules.

Summary of human resources implications

43. The report highlights the additional manpower requirements to support the additional meetings resulting from the changes to the Overview and Scrutiny arrangements. The service will seek to absorb the additional in-year costs in 2023/24 but there will be additional resources required for 2024/25.

Summary of sustainability impact

44. There are no sustainability implications arising from this report.

Summary of public health implications

45. There are no public health implications arising from this report.

Summary of equality implications

46. The Constitution of the BCP Council sets out the rights of public access to the democratic process. Where appropriate the Equality Officer is engaged on relevant issues.
47. The proposed Constitution changes contained within this report do not impact directly or indirectly impact upon service users and as a consequence there are no equality implications arising from this report.

Summary of risk assessment

48. The Constitution is a legally required document which prescribes the procedural and democratic arrangements for the proper governance of the Council.

Background papers

Published works

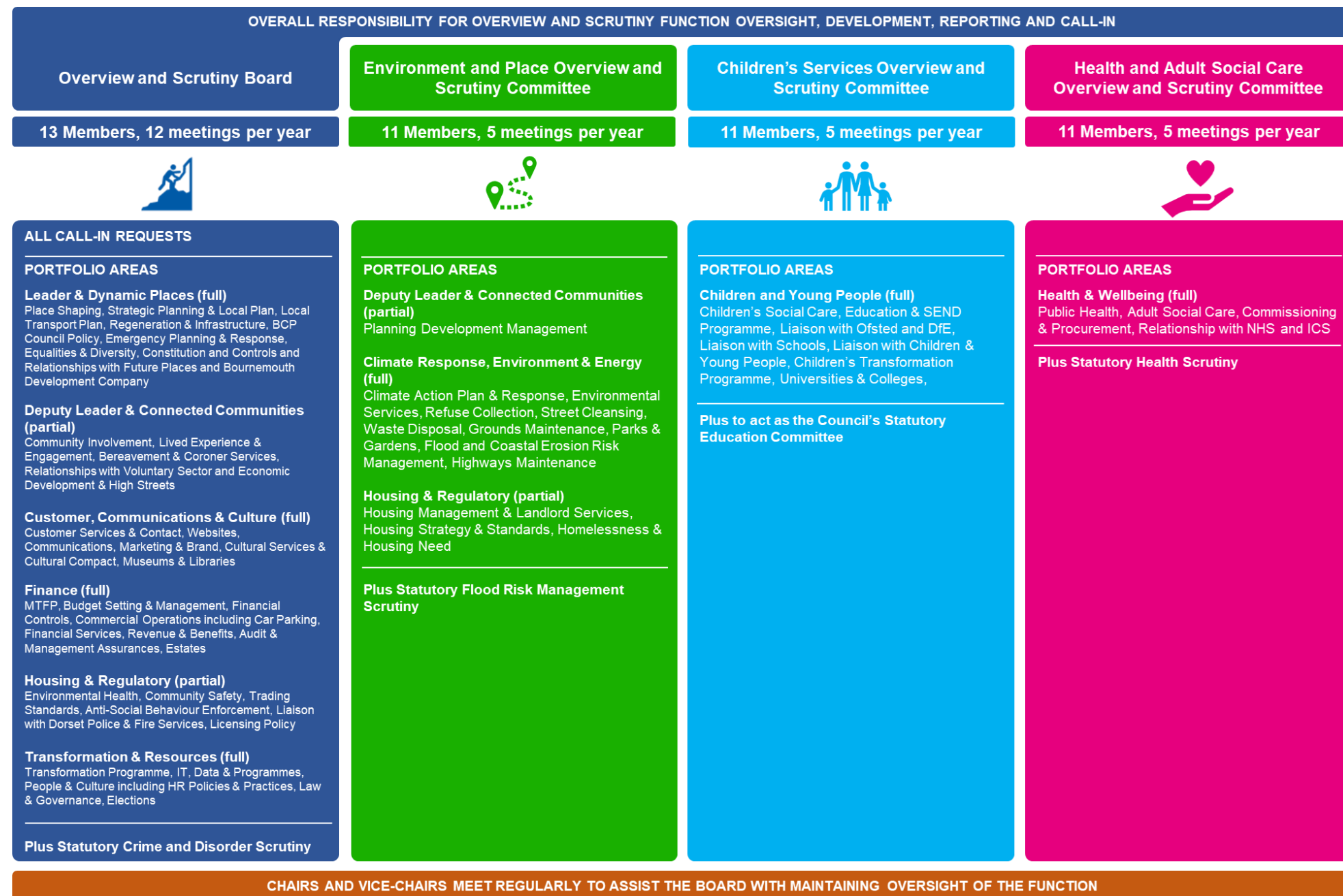
Appendices

- Appendix 1 – Existing Overview and Scrutiny Arrangements
- Appendix 2 – Proposed Model for Overview and Scrutiny
- Appendix 3 – Proposed Changes to the Constitution in relation to Issue 1 (Overview and Scrutiny Structure and Arrangements)

Appendix 1 – Existing Overview and Scrutiny Arrangements

| Corporate and Community Overview and Scrutiny Committee | Place Overview and Scrutiny Committee | Children's Services Overview and Scrutiny Committee | Health and Adult Social Care Overview and Scrutiny Committee |
|--|--|---|--|
| 13 Members, 5 meetings per year | 11 Members, 5 meetings per year | 11 Members, 5 meetings per year | 11 Members, 5 meetings per year |
|  |  |  |  |
| <p>CALL-IN WITHIN REMIT</p> <p>PORTFOLIO AREAS</p> <p>Leader & Dynamic Places (partial) BCP Council Policy, Emergency Planning & Response, Equalities & Diversity, Constitution and Controls</p> <p>Deputy Leader & Connected Communities (partial) Community Involvement, Lived Experience & Engagement, Bereavement & Coroner Services, Relationships with Voluntary Sector, Economic Development & High Streets</p> <p>Customer, Communications & Culture (full) Customer Services & Contact, Websites, Communications, Marketing & Brand, Cultural Services & Cultural Compact, Museums & Libraries</p> <p>Finance (full) MTFP, Budget Setting & Management, Financial Controls, Commercial Operations including Car Parking, Financial Services, Revenue & Benefits, Audit & Management Assurances, Estates</p> <p>Housing & Regulatory (partial) Environmental Health, Community Safety, Trading Standards, Anti-Social Behaviour Enforcement, Liaison with Dorset Police & Fire Services, Licensing Policy</p> <p>Transformation & Resources (full) Transformation Programme, IT, Data & Programmes, People & Culture including HR Policies & Practices, Law & Governance, Elections</p> <p>Plus Statutory Crime and Disorder Scrutiny</p> | <p>CALL-IN WITHIN REMIT</p> <p>PORTFOLIO AREAS</p> <p>Leader and Dynamic Places (partial) Place Shaping, Strategic Planning & Local Plan, Local Transport Plan, Regeneration & Infrastructure, Relationships with Future Places and Bournemouth Development Company</p> <p>Deputy Leader & Connected Communities (partial) Planning Development Management</p> <p>Climate Response, Environment & Energy (full) Climate Action Plan & Response, Environmental Services, Refuse Collection, Street Cleansing, Waste Disposal, Grounds Maintenance, Parks & Gardens, Flood and Coastal Erosion Risk Management, Highways Maintenance</p> <p>Housing & Regulatory (partial) Housing Management & Landlord Services, Housing Strategy & Standards, Homelessness & Housing Need</p> <p>Plus Statutory Flood Risk Management Scrutiny</p> | <p>CALL-IN WITHIN REMIT</p> <p>PORTFOLIO AREAS</p> <p>Children and Young People (full) Children's Social Care, Education & SEND Programme, Liaison with Ofsted and DfE, Liaison with Schools, Liaison with Children & Young People, Children's Transformation Programme, Universities & Colleges,</p> <p>Plus to act as the Council's Statutory Education Committee</p> | <p>CALL-IN WITHIN REMIT</p> <p>PORTFOLIO AREAS</p> <p>Health & Wellbeing (full) Public Health, Adult Social Care, Commissioning & Procurement, Relationship with NHS and ICS</p> <p>Plus Statutory Health Scrutiny</p> |
| CHAIRS AND VICE CHAIRS MEET REGULARLY TO MAINTAIN OVERSIGHT OF THE FUNCTION | | | |

Appendix 2 – Proposed Model for Overview and Scrutiny



Article 6 – Overview and Scrutiny

6.1. Overview and Scrutiny

6.1.1. As outlined in the Summary and Explanation at Part 1 of this Constitution, the Council has established arrangements for the Overview and Scrutiny function in line with six principles, those being that the Overview and Scrutiny Board and Committees shall:

- a) contribute to sound decision making in a timely way by holding decision makers to account as a ‘critical friend’;
- b) be a Councillor led and owned function that seeks to continuously improve through self-reflection and development;
- c) enable the voice and concerns of the public to be heard and reflected in the Council’s decision-making process;
- d) engages in decision making and policy development at an appropriate time to be able to have influence;
- e) contribute to and reflect the vision and priorities of the Council; and
- f) be agile and be able to respond to changing and emerging priorities at the right time with flexible working methods.

6.2. Responsibilities of the Overview and Scrutiny Board and Committees

The Overview and Scrutiny Board and Committees have the functions set out at Part 3 of this Constitution.

6.3. Current Overview and Scrutiny ~~Committees~~Bodies

6.3.1. There shall be four Overview and Scrutiny bodies:

- a) ~~Corporate and Community Overview and Scrutiny Board Committee~~ which shall comprise of 13 Councillors meeting five twelve times each year. Meetings shall take account of the calendar of meetings for the Cabinet, to enable the Board to make recommendations to the Cabinet;
- b) **Health and Adult Social Care Overview and Scrutiny Committee** which shall comprise of 11 Councillors meeting five times each year;
- c) **Children’s Services Overview and Scrutiny Committee** which shall comprise of 11 Councillors meeting five times each year; and
- d) Environment and Place Overview and Scrutiny Committee which shall comprise of 11 Councillors meeting five times each year.

6.4. Membership

6.4.1. No member of the Cabinet may be a member of the Overview and Scrutiny Board or Committees or any group established by the Board or Committees.

6.4.2. Lead Members of the Cabinet may not be a member of Overview and Scrutiny Board or Committees.

6.4.3. The Chair and Vice-Chair of the Audit and Governance Committee may not be a member of any Overview and Scrutiny Board or Committee. This will maintain independence between the two functions of audit and scrutiny, in line with good practice.

6.4.3.6.4.4. Where the Chairs of the other Overview and Scrutiny Committees are not members of the Overview and Scrutiny Board they will be invited to attend meetings of the Board in order to report on activity within their Committees.

6.5. Substitutes

If a member is unable to attend a meeting their Group may arrange for a substitute to attend in their place in accordance with Part 4 of this Constitution.

6.6. Members of the Public

6.6.1. Members of the public can be invited to attend and contribute to meetings as required to provide insight to a matter under discussion. This may include but is not limited to subject experts with relevant specialist knowledge or expertise, representatives of stakeholder groups or service users. Members of the public will not have voting rights.

6.7. Children's Services Overview and Scrutiny Committee

6.7.1. As the functions and duties of the Children's Services Overview and Scrutiny Committee include making decisions in relation to the Council's education responsibilities, the Committee must include two church and two parent governor representatives as voting members in addition to the Councillors. Parent governor membership shall extend to a maximum period of four years and no less than two years. These co-opted education representatives are entitled to vote on any item relating to education.

6.7.2. The Children's Services Overview and Scrutiny Committee may also co-opt one representative from the Academy Trusts within the local authority area, to attend meetings and vote on matters relating to education.

6.7.3. The Children's Services Overview and Scrutiny Committee may also co-opt on to the Committee two representatives of The Youth Parliament and, although they will not be entitled to vote, will ensure that their significant contribution to the work of the Committee is recognised and valued.

6.8. Environment and Place Overview and Scrutiny Committee

6.8.1. The Environment and Place Overview and Scrutiny Committee may co-opt on to the Committee two independent non-voting members. The selection and recruitment process shall be determined by the Environment and Place Overview and Scrutiny Committee.

6.8.6.9. Conduct of Overview and Scrutiny Board and Committee meetings

Conduct of the proceedings at Overview and Scrutiny Board and Committee meetings shall be in accordance with the Procedure Rules as set out in Part 4C of this Constitution.

6.9.6.10. Commissioned Work

~~6.9.1.6.10.1.~~ In addition to committee meetings, the Overview and Scrutiny Board and Committees may commission work to be undertaken in the following ways as it considers necessary after taking into account the availability of resources, the work programme and the matter under review. The Board and ~~Each~~ Committee is limited to ~~two~~one commissions at a time to ensure availability of resources.

- a) **Working Groups** – a small group of Councillors and Officers gathered to consider a specific issue and report back to a full meeting of the Board or ~~e~~Committee, or make recommendations to Cabinet or Council within a limited timescale. Working Groups usually meet once or twice, and are often non-public;
- b) **Sub-Committees** – a group of Councillors delegated a specific aspect of the main Board or Committee's work for ongoing, in-depth monitoring. May be time limited or be required as a long-standing sub-committee. Sub-Committees are often well suited to considering performance based matters that require scrutiny oversight. Sub-Committees usually meet in public;
- c) **Task and finish groups** – a small group of Councillors tasked with investigating a particular issue and making recommendations on this issue, with the aim of influencing wider Council policy. The area of investigation will be carefully scoped and will culminate in a final report, usually with recommendations to Cabinet or Council. Task and finish groups may work over the course of a number of months and take account of a wide variety of evidence, which can be resource intensive. For this reason, the number of these groups must be carefully prioritised by scrutiny members to ensure the work can progress at an appropriate pace for the final outcome to have influence;
- d) **Inquiry Days** – with a similar purpose to task and finish groups, inquiry days seek to understand and make recommendations on an issue by talking to a wide range of stakeholders and considering evidence relating to that issue, within one or two days. Inquiry days have similarities to the work of Government Select Committees. Inquiry days are highly resource intensive but can lead to swift, meaningful outcomes and recommendations that can make a difference to Council policy; and
- e) **Rapporteurs or scrutiny member champions** - individual Councillors or pairs of Councillors tasked with investigating or maintaining oversight of a particular issue and reporting back to the

main Bboard or committee on its findings. A main bBoard or committee can use these reports to facilitate its work prioritisation. Rapporteurs will undertake informal work to understand an issue – such as discussions with Officers and Portfolio Holders, research and data analysis. Rapporteur work enables scrutiny members to collectively stay informed of a wide range of Council activity. In this way the workload is spread between Councillors. This approach to the provision of information to scrutiny members also avoids valuable committee time being taken up with briefings in favour of more outcome-based scrutiny taking place at committee.

- n) making decisions on all applications relating to premises or land operated by the Council where relevant representations are received;
- o) making decisions on applications to review Premises Licences made under the Gambling Act 2005;
- p) making decisions on applications relating to Street Trading which fall outside of existing policies;
- q) making decisions on Public Carriage disciplinary matters that may result in the revocation or suspension of a Taxi Operators Licence;
- r) making decisions on applications for new Sex Establishment and Sexual Entertainment Licences;
- s) making decisions on applications for renewals of Sex Establishment and Sexual Entertainment Licences where representations have been received and not withdrawn;
- t) making any decisions required to be made within the following legislative frameworks which have not been delegated by the Committee to Officers:
 - i. Caravan Site Act 1968 and Mobile Home Act 2013 and related legislation;
 - ii. Charities Act 1992 and related legislation;
 - iii. Street Trading Permits and Table and Chair permissions and related permissions; and
 - iv. Animal Welfare Licensing – where there are objections to licences;
- u) approving the level of fees charged by the Council; and
- v) making decisions on the tariffs charged by the Public Carriage Trade.

- 3.2.5. determining any matter arising in relation to any Licensing Function where that matter has been expressly referred to the Licensing Committee by an Officer for such a purpose as an alternative to that Officer exercising a power delegated to them pursuant to the Scheme of Delegation to Officers.

4. Overview and Scrutiny Function

Interpretation

- 4.1. In this section (4) any references to 'committees' includes 'committees and boards' unless otherwise stated.

Overview and Scrutiny Committees

4.2. The Overview and Scrutiny Committees share the following responsibilities where the subject matter falls within their remit as defined in paragraphs 4.3 to 4.10:

- 4.2.1. scrutinising decisions of the Cabinet, offering advice or making recommendations on the matter;
- 4.2.2. considering decisions that have been called-in pursuant to the Procedures set out in this Constitution for further scrutiny;
- 4.2.3. offering any views or advice to the Cabinet or Council in relation to any matter referred for consideration by the Cabinet or Council;
- 4.2.4. monitoring the implementation of decisions to examine their effect and outcomes;
- 4.2.5. referring to full Council, the Cabinet or appropriate Committee/Sub-Committee any matter which, following scrutiny, the Overview and Scrutiny Committee determines should be brought to the attention of the Council, Cabinet or the Committee or Sub-Committee;
- 4.2.6. undertaking general policy reviews with a cross-service and multi-organisational approach wherever possible, and making recommendations to the Council or the Cabinet to assist in the development of future policies and strategies;
- 4.2.7. preparation, implementation, monitoring and review of a work programme;
- 4.2.8. establishing such commissioned work as appropriate after taking into account the availability of resources, the work programme and the matter under review.

Overview and Scrutiny CommitteesBoard

4.3. The Overview and Scrutiny Board has responsibility for:

- 4.3.1. carrying out those duties as outlined in 4.2.1 to 4.2.8 above, in relation to matters such as finance and transformation, economic development, regeneration and infrastructure, communication, culture, events, libraries, museums, community safety, regulatory services, licensing, leisure, sport and tourism;
- 4.3.2. undertaking scrutiny of the Council's budget processes, and may be assisted by representation from the other Committees in this task;
- 4.3.3. assisting the Council in the development of the Budget and Policy Framework by in-depth analysis of policy issues;
- 4.3.4. carrying out the Council's overview and scrutiny functions relating to crime and disorder as required by legislation. Crime and disorder overview and scrutiny will take place at least once a year.

~~Each Overview and Scrutiny Committee is of equal status and has responsibility for:~~

- 4.3.5. discharging any other statutory duties for which the Overview and Scrutiny function is responsible, other than those that relate to Flood Risk Management, Health, Adult Social Care, Children's Services and Education;
- 4.3.6. the preparation, implementation, monitoring and review of a work programme for the Overview and Scrutiny Board;
- 4.3.7. overseeing the Council's overall Overview and Scrutiny function including oversight of the work plans and use of resource across all O&S bodies;
- 4.3.8. keeping the Overview and Scrutiny function under review, suggesting changes as appropriate to ensure that it remains fit for purpose;
- 4.3.9. reporting annually to Full Council on the output of the Overview and Scrutiny function providing an assessment of the value added by the work undertaken, taking into account the agreed principles on which the function is based;
- 4.3.10. maintaining oversight and establishing priorities for the training needs of the whole of the Overview and Scrutiny function;
- ~~4.1.1. scrutinising decisions of the Cabinet, offering advice or making recommendations on the matter;~~
- ~~4.1.2. considering decisions within the remit of that Committee that have been called in pursuant to the Procedures set out in this Constitution for further scrutiny;~~
- ~~4.1.3. offering any views or advice to the Cabinet or Council in relation to any matter referred to the Overview and Scrutiny Committee for consideration by the Cabinet or Council;~~
- ~~4.1.4. undertaking general policy reviews with a cross-service and multi-organisational approach wherever possible, and making recommendations to the Council or the Cabinet to assist in the development of future policies and strategies;~~
- ~~4.1.5. assisting the Council in the development of the Budget and Policy Framework by in-depth analysis of policy issues;~~
- ~~4.1.6. monitoring the implementation of decisions to examine their effect and outcomes;~~
- ~~4.1.7. referring to full Council, the Cabinet or appropriate Committee/Sub-Committee any matter which, following scrutiny, the Overview and Scrutiny Committee determines should be brought to the attention of the Council, Cabinet or the Committee or Sub-Committee;~~
- ~~4.1.8. preparation, implementation, monitoring and review of a work programme;~~
- ~~4.1.9. establishing such commissioned work as appropriate after taking into account the availability of resources, the work programme and the matter under review;~~

~~4.1.10.4.3.11. maintaining oversight and establishing priorities for the training needs of the Committee.~~

Health and Adult Social Care Overview and Scrutiny Committee

~~4.2.4.4.~~ The Health and Adult Social Care Overview and Scrutiny Committee will carry out those duties as outlined in ~~4.2.14.1.1~~ to ~~4.2.84.1.10~~ above, in relation to matters regarding health, adult social care, public health, community care and any other issues relating to the delivery of health services by health service providers and NHS bodies affecting the residents of Bournemouth, Christchurch and Poole.

~~4.3.4.5.~~ This Committee carries out all the Council's overview and scrutiny functions relating to health as required by legislation.

Children's Services Overview and Scrutiny Committee

~~4.6.~~ The Children's Services Overview and Scrutiny Committee will be responsible for carrying out those duties as outlined in ~~4.2.14.1.1~~ to ~~4.2.84.1.10~~ above, in relation to matters which relate to the delivery of services for children in Bournemouth, Christchurch and Poole.

~~4.4.~~ This Committee acts as the Council's Statutory Education Committee as required by legislation.

~~4.5.4.7.~~ Education co-optees will be appointed to this Committee in line with legislation, and as set out within Article 6 of this Constitution.

Environment and Place Overview and Scrutiny Committee

~~4.6.4.8.~~ The Environment and Place Overview and Scrutiny Committee will be responsible for carrying out those duties as outlined in ~~4.2.14.1.1~~ to ~~4.2.84.1.10~~ above, in relation to matters such as ~~regeneration, strategic planning~~ development management, house building, homes, environment, cleansing, waste, ~~transport~~ and sustainability.

~~4.7.4.9.~~ This Committee carries out all the Council's overview and scrutiny functions relating to flood risk management as required by legislation.

~~Corporate and Community Overview and Scrutiny Committee~~

~~4.8.~~ ~~The Corporate and Community Overview and Scrutiny Committee will be responsible for carrying out those duties as outlined in 4.1.1 to 4.1.10 above, in relation to matters such as finance and transformation, economic development, communication, culture, events, libraries, museums, community safety, regulatory services, licensing, leisure, sport and tourism.~~

~~4.9.~~ ~~This Committee will be the lead Overview and Scrutiny Committee for undertaking scrutiny of the Council's budget processes, and may be assisted by representation from the other Committees in this task.~~

~~4.10. This Committee carries out the Council's overview and scrutiny functions relating to crime and disorder as required by legislation. Crime and disorder overview and scrutiny will take place at least once a year.~~

Changes to functions of Overview and Scrutiny Committees

~~4.11.4.10.~~ The remit of the Overview and Scrutiny Committees is based on the division of Portfolio Holder responsibilities. Portfolio Holders may report to more than one Overview and Scrutiny Committee.

~~4.12.4.11.~~ Portfolio Holder responsibilities are changeable and from time to time it may be necessary to modify the designation of functions across the ~~four~~ Overview and Scrutiny Committees to maintain an efficient fit and clear lines of accountability. Changes will be included as required within the annual report of the Statutory Scrutiny Officer to Council.

5. Audit and Governance Committee

5.1. Functions of the Audit & Governance Committee are set out below. The Audit & Governance Committee cannot delegate for a decision any issues referred to it apart from any matter that is reserved to Council.

Statement of Purpose

5.2. The Audit & Governance Committee is a key component of the Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

5.3. The purpose of our Audit & Governance Committee is to provide independent assurance of the adequacy of the risk management framework and the internal control environment. It provides independent review of the Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, Risk & Control

5.4. To consider the arrangements for corporate governance including reviews of the Local Code of Corporate Governance and review and approval of the Annual Governance Statement (AGS).

5.5. To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

5.6. To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

5.7. To consider arrangements for risk management including the approval of the Risk Management Strategy and review of the Council's corporate risk register.

| | | |
|-----|--|---------------------------------|
| 14. | The making of agreements for the execution of highways works | Non-executive |
| 15. | The appointment of any individual— (a) to any office other than an office in which he is employed by the authority; (b) to any body other than— (i) the authority; (ii) a joint committee of two or more authorities; or (c) to any committee or sub-committee of such a body, and the revocation of any such appointment | Non- executive |
| 16. | The making of agreements with other local authorities for the placing of staff at the disposal of those other authorities | Non-executive |
| 17. | Any function of a local authority in their capacity as a harbour authority (to the extent that the function does not fall within paragraph 1 of Schedule 2 Local Authorities (Functions and Responsibilities) (England) Regulations 2000 | Non-executive Not applicable |

Functions of the Cabinet

9.3. The Leader will prepare a Scheme of Delegation in which the Leader will confirm which of the following functions will be delegated to the Cabinet:

- 9.3.1. responsibility for strategic and policy co-ordination;
- 9.3.2. making recommendations to Full Council for approval as part of the Budget and Key Policy Framework, major new policies, changes to or revisions of existing policies or any other plan or strategy which Full Council decides it shall adopt or approve;
- 9.3.3. carrying out the Council's responsibilities for improving the economic social and environmental well-being of the area;
- 9.3.4. ensuring that the Annual Budget is set and the underlying principles set out in the Financial Regulations adhered to in any changes required from time to time including recommending to Full Council any changes to policy that will materially reduce or increase the services of the Council or create significant financial commitments in future years in accordance with the requirements of the Financial Regulations;
- 9.3.5. recommending to Full Council the overall financial strategy, including the Capital and Revenue Budgets and the level of Council Tax and the Council Tax Base;

- 9.3.6. monitoring spending on the Capital Programme;
- 9.3.7. taking in year decisions on resources and priorities, together with other stakeholders and partners in the local community, to deliver the Key Policy Framework, Corporate Plan and Budget;
- 9.3.8. considering and responding to recommendations and reports from the Overview and Scrutiny Board and Committees;
- 9.3.9. considering the reports of external review bodies on key aspects of overall service delivery;
- 9.3.10. deciding all Local Choice Functions which Full Council has decided should be undertaken by the Cabinet;
- 9.3.11. carrying out those Executive Functions of the Council not delegated to other bodies, individual Cabinet Members or Officers pursuant to one of the schemes of delegation;
- 9.3.12. resolving disputes between Cabinet Members including those where there is no agreement between Portfolio Holders relating to cross-portfolio issues;
- 9.3.13. being involved in the process for appointment of the Council's Chief Executive/Head of Paid Service and other Officers as set out in the Employment Procedure Rules in Part 4;
- 9.3.14. making the final decision on joint arrangements and delegations to other councils which relate to Executive Functions; and
- 9.3.15. conferring with other councils, government departments, statutory bodies, voluntary bodies, and other external agencies.

10. Functions of Individual Members of the Cabinet

The Leader

- 10.1. The Leader will perform the following functions:
 - 10.1.1. leading on implementing the Council's policy and budget decisions;
 - 10.1.2. providing leadership of the Council by setting the strategic direction and key priorities, overseeing the development of the financial strategies;
 - 10.1.3. representing the Council in the community and in negotiations with regional and national organisations;
 - 10.1.4. in the absence of a Portfolio Holder taking responsibility for all relevant matters within the remit of the Cabinet;
 - 10.1.5. appointment of a Deputy Leader;
 - 10.1.6. appointment of up to 9 Councillors to be Members of the Cabinet;
 - 10.1.7. allocating to each Member of the Cabinet areas of responsibility to be known as Portfolios;

- 10.1.8. notifying the Monitoring Officer of the allocation of responsibility so that the information can be compiled in the Cabinet Members' Portfolio Scheme;
- 10.1.9. providing leadership to the Cabinet and chair Cabinet meetings;
- 10.1.10. where the Leader judges it to be the most suitable course of action, the Leader may require any decision proposed by one or more Portfolio Holders to be taken by the full Cabinet;
- 10.1.11. exercising discretion to personally discharge any Executive Functions or make arrangements for their discharge by the Cabinet, another Member of the Cabinet, a Committee of the Cabinet or an Officer (without prejudice to their continued power to discharge that function); and
- 10.1.12. responsibility for all Executive Functions not expressed to be within the remit of the Leader or otherwise delegated by the Leader to the Cabinet, a Cabinet Member, Committee of the Cabinet or to Officers.

The Deputy Leader

- 10.2. In addition to their Portfolio responsibilities, the Deputy Leader will Deputise in the Leader's absence or inability to act due to a conflict of interest.

Delegation to Cabinet Members

- 10.3. All Cabinet Members will be publicly accountable for the Executive Functions of the Council. This will include specific responsibility for matters within the scope of their Portfolio as follows:
 - 10.3.1. to make decisions consistent with the Council's Key Policy Framework;
 - 10.3.2. to make decisions within approved budgets or within virement discretion in accordance with the Financial Regulations;
 - 10.3.3. to make decisions which do not compromise any existing or proposed policy;
 - 10.3.4. to refer to the Leader any matter considered by the Portfolio Holder or the Leader to be too sensitive or controversial to be decided 'within Portfolio';
 - 10.3.5. to agree decisions with other Portfolio Holders where the matter is a cross-portfolio matter. To refer to the Leader any such matter which cannot be agreed;
 - 10.3.6. to give public account of the functions and decisions made within the Portfolio areas of responsibility;
 - 10.3.7. to maintain clear communication with the Chairs of the relevant Overview and Scrutiny [Board and](#) Committees;
 - 10.3.8. to represent the Council with external bodies and agencies in order to promote the work of the Council and the Council's interests and improve Council influence with external bodies;

- 10.3.9. to develop clear, affordable policies and strategies for services which are consistent with the Council's wider objectives and consistent with the Council's cross cutting objectives;
 - 10.3.10. to set clear priorities which are consistent with the Council's policies and strategic objectives;
 - 10.3.11. to ensure that resources are efficiently managed within allocations set by Council and that risk is well managed; and
 - 10.3.12. specific projects as agreed with the Leader of the Council.
- 10.4. Where matters are to be discharged by the Cabinet then (unless the Leader directs otherwise) the Cabinet may exercise its discretion to delegate those matters to a Committee of the Cabinet or to an Officer.
 - 10.5. Where matters are to be discharged by a single Cabinet Member then unless the Leader directs otherwise that Cabinet Member may exercise their discretion to delegate those matters to an Officer.
 - 10.6. Where Executive Functions have been delegated that does not prevent the discharge of the delegated functions by the person or body who delegated them or by the Leader who retains the authority to make any executive decision.

Cabinet Portfolio Scheme

- 10.7. The Portfolios must be contained within a Schedule which will be published on the Council's website, part of this Constitution and subject to review and updating by the Leader of the Council at their discretion.

Leader Delegation to Chief Executive

- 10.8. The Leader will set out specific additional delegations within a Schedule to the Chief Executive over and above those set out below in the Scheme of Delegation to Officers which will be published, part of the Constitution and subject to review and updating by the Leader of the Council at their discretion.

A. Access to Information Procedure Rules

1. Interpretation

- 1.1. In these and subsequent Procedure Rules in this Part 4:
- 1.1.1. references to 'the Council' means 'Full Council', unless otherwise stated;
 - 1.1.2. references to 'committees' includes 'committees and boards' unless otherwise stated;
 - 1.1.3. references to 'sub-committees' includes 'sub-committees, working groups, panels and forums' unless otherwise stated;
 - 1.1.4. references to the serving of notice to 'Monitoring Officer' shall, unless otherwise stated, include notice to 'Democratic Services'; and
 - 1.1.5. references to 'Rules' means these Procedure Rules, unless otherwise stated.
 - 1.1.6. unless otherwise required by law, references to 'copies of documents being made available for public inspection' means the publication online or sent electronically upon request.

2. Scope

These Rules apply to all meetings of the Council, its Committees and Sub-Committees and to public meetings of the Cabinet (together referred to as "meetings").

3. Additional Rights to Information

These Rules do not affect any other specific rights to information contained elsewhere in this Constitution or otherwise provided by law.

4. Rights to Attend and Report upon Meetings

- 4.1. Members of the public may attend all public meetings subject to the exceptions contained in these Rules.
- 4.2. Members of the press and public are also entitled to film, audio record and report on meetings of the Council, Committees, Sub-Committees and Cabinet, except in circumstances where the public have been excluded in accordance with this Constitution or as permitted by law. Any such filming, audio recording or reporting shall be in accordance with any guidelines published by the Council on its website or made available at the meeting.

5. Notice of Meetings

The Council shall ordinarily give at least five clear working days' notice of any meeting by publicising a copy of the official notice on the Council's website and at the Council's main office.

C. Overview and Scrutiny Procedure Rules

1. How Overview and Scrutiny operates

1.1. Any Procedure Rule applying to a Committee shall also apply to the Overview and Scrutiny Board unless otherwise stated.

~~4.4.1.2.~~ The Overview and Scrutiny Committees will perform the functions as set out in Article 6 at Part 2 of this Constitution.

~~4.2.1.3.~~ No Councillor may be involved in scrutinising a decision in which they have been directly involved.

2. Overview & Scrutiny Work Plan/s

2.1. The proposed work of the Overview and Scrutiny Committees will be set out in a Work Plan which shall consist of work aligned to the principles for the function, as set out in this Constitution. Each Committee will be responsible for its own Work Plan.

2.2. Once any Work Plan has been approved, a copy will be published with the agenda for each meeting of the Overview and Scrutiny Committees and available to any Councillor on request.

2.3. The Overview and Scrutiny Board will maintain oversight of all Work Plans relating to the Overview and Scrutiny function. The purpose of this oversight is to ensure a balance of resource is available across the function and all overview and scrutiny work is adding value to the Council as a whole. The Overview and Scrutiny Board may comment on or make recommendations in relation to the Work Plans of other Overview and Scrutiny Committees as it sees appropriate to ensure overview and scrutiny work is adding value to the Council as a whole.

3. Responsibilities of Overview and Scrutiny Chairs and Vice-Chairs

3.1. The Overview and Scrutiny Committee Chairs and Vice-Chairs will meet on a regular basis to assist the Board in maintaining oversight of the Overview and Scrutiny function, for example monitoring actions for improvement for Overview and Scrutiny, training and development needs, resource availability and cross-cutting scrutiny issues. Meetings will be informal and may be virtual.

~~3.2. Oversight of the Overview and Scrutiny function referred to at 3.1 will include collective monitoring of all Work Plans relating to the Overview and Scrutiny function to ensure a balance of resource is available across the function and all overview and scrutiny work is adding value to the Council as a whole.~~

~~3.3. As outlined at procedure rules 13.3 and 14.1 the Overview and Scrutiny Chairs and Vice-Chairs will provide views to the Monitoring Officer on the designation of cross-cutting matters, including those that are the subject of a call-in.~~

~~3.4.3.2.~~ The Chair and Vice-Chair of the Audit and Governance Committee will be invited to attend informal meetings of the Chairs and Vice-Chairs of Overview and Scrutiny as appropriate to discuss matters of mutual interest.

~~3.5.3.3.~~ The Statutory Scrutiny Officer will report to Council on an annual basis on the work of Overview and Scrutiny, including recommendations for any changes that may be required to ensure the function remains fit for purpose. This report will be informed by consultation with the Chairs and Vice-Chairs of the Overview and Scrutiny Committees and referred to the four Overview and Scrutiny Committees for comment.

4. Consultation and Suggestions

- 4.1. The Overview and Scrutiny Committees will consult with other parts of the Council as appropriate, including the Cabinet, on the preparation of any Work Plan. They should also take into account the resources, including Councillor availability, Officer and financial resources, available to support their proposals.
- 4.2. The Overview and Scrutiny Committees may take suggestions from a variety of sources to form their Work Plans. This may include suggestions from members of the public, Officers of the Council, Portfolio Holders, the Cabinet and Council, members of the Committee, and other Councillors who are not on the Committee.
- 4.3. All suggestions for Overview and Scrutiny work will be accompanied by:
 - 4.3.1. detail outlining the background to the issue suggested;
 - 4.3.2. the proposed method of undertaking the work;
 - 4.3.3. likely timescale associated with undertaking the work; and
 - 4.3.4. the anticipated outcome and value to be added by the work proposed.
 - 4.3.5. No item of work shall join the work plan of any Overview and Scrutiny Committee without an assessment of this information.
- 4.4. Members of the public may make suggestions for Overview and Scrutiny work. Suggestions will be made in writing and accompanied by the detail outlined at Rule 4.3 of this Part 4C.
- 4.5. A facility will be made for members of the public to make suggestions for overview and scrutiny work on the Council's website. Suggestions will be considered by the relevant Overview and Scrutiny Committee. The Overview and Scrutiny Committees will maintain oversight of suggestions made by the public and will assess the value to be added by the work suggested when determining whether to exercise their powers in this respect. Any member of the public raising an item under this Rule shall be precluded from raising the matter again for a period of 12 months from the date it is considered by the Committee.

5. Requests

- 5.1. Where Portfolio Holders, the Cabinet or Council request that Overview and Scrutiny Committees undertake a specified piece of work, the relevant Overview and Scrutiny Committee shall respond to the request as soon as it is possible to do so.
- 5.2. The Committee will assess the value to be added by the work suggested when determining whether to exercise its powers in this respect. Where it chooses to exercise its powers in relation to the request, it will report back its findings and any recommendations to Cabinet and/or Full Council in accordance with Rule 11 of this Part 4C.
- 5.3. Where the Committee chooses not to exercise its powers in relation to the request, it will provide reasons for this to the body that made the original request.
- 5.4. All Councillors have the right to suggest that an item be considered for Overview and Scrutiny provided that the item to which the suggestion is made must be relevant to the functions of the Overview and Scrutiny Committee. Councillors must make this suggestion in writing to the Scrutiny Officer who will arrange for the publication of the request on the next available agenda of the relevant Overview and Scrutiny Committee agenda. The request will be accompanied by the information as set out at 4.3 above. The Overview and Scrutiny Committee shall consider the request, assess the value to be added by the work proposed and determine whether the matter shall join the Work Plan. Where a decision is made by the Committee not to exercise its powers in relation to the matter the Committee must provide its decision to the Councillor making the request, giving reasons for this.
- 5.5. Any Councillor raising an item under Rule 5.4 of this Part 4C shall be precluded from raising the matter again for a period of 12 months from the date it is considered by the Committee.

6. Engagement with the Overview and Scrutiny Committee

- 6.1. Consideration will be given at the scoping stage as to how others, in addition to Councillors and Officers of the Council, may be engaged in the work of Overview and Scrutiny and the benefit that this engagement will bring to the work. This may include, but is not limited to, contribution from subject experts with relevant specialist knowledge and/or expertise; representatives of stakeholder groups and service users.
- 6.2. Overview and Scrutiny has a key role in the development of the Budget and Policies of the Council. The Overview and Scrutiny Committees may make proposals to the Cabinet or Full Council for development or review of key strategies, plans and policies to the extent that they relate to matters within the respective terms of reference for each Committee.

7. Commissioned Work

- 7.1. When considering additions to its Work Plan, the Overview and Scrutiny Committees may commission work to be undertaken outside of Committee meetings in accordance with Article 6 at Part 2 of this Constitution.
- 7.2. When commissioning work, the Committees will take into account the availability of resources as highlighted above. Committees may undertake ~~two~~one pieces of commissioned work at a time to ensure availability of resource across all Committees.
- 7.3. Bodies commissioned by the Overview and Scrutiny Committees may have conferred upon them the power to act on behalf of the parent Committee in considering issues within the remit of the parent Committee and making recommendations directly to Portfolio Holders, Cabinet, Council or other bodies or people within the Council or externally as appropriate.

8. Rights of Overview and Scrutiny Committee members to information

- 8.1. The Overview and Scrutiny Committee will have access to the Cabinet's Forward Plan and timetable for decisions and intentions for consultation.
- 8.2. In addition to their rights as Councillors, members of the Overview and Scrutiny Committee have the additional right of access to documents, and to notice of meetings as set out in the Access to Information Procedure Rules set out at Part 4A of this Constitution.
- 8.3. Nothing in this paragraph prevents more detailed liaison between the Cabinet and the Overview and Scrutiny Committees as appropriate. Regular, informal dialogue between the two is considered good practice to ensure that the Overview and Scrutiny function can understand developing Cabinet priorities, discuss and assess the value that Overview and Scrutiny can provide and contribute in a timely way to policy development.

9. Councillors and Officers giving account

- 9.1. The Overview and Scrutiny Committees may scrutinise and review decisions made or actions taken in connection with the discharge of any Council function or matters which affect the Council's area or the inhabitants of that area. As well as reviewing documentation, in fulfilling its scrutiny role, it may require the Leader, any Portfolio Holder or Officer to attend before it to provide information in relation to matters within their remit. It is the duty of those persons to attend if so required. The Overview and Scrutiny Committees shall have sole discretion to determine which Councillors and Officers will be requested to attend and the format that discussions with invitees will take. All discussions will be based on respect and courtesy - consistent with the Code of Conduct - and will be undertaken with the aim of maximising the effectiveness of the scrutiny being conducted.

- 9.2. Where any Councillor or Officer is required to attend the Overview and Scrutiny Committee under this provision, the Chair of that Committee will inform the Scrutiny Officer, who will inform the Councillor or Officer in writing giving at least seven clear working days' notice of the meeting. The notice will state the nature of the item on which they are required to attend to give account and whether any papers are required to be produced for the Committee. Where the account to be given to the Overview and Scrutiny Committee will require the production of a report, then the Councillor or Officer concerned will be given reasonable notice to allow for its preparation.
- 9.3. Where, in exceptional circumstances, the Councillor or Officer is unable to attend on the required date, then the Committee shall consider, in consultation with the Councillor or Officer, an alternative date for attendance or whether another Councillor or officer should attend in their place.
- 9.4. Officers should not be expected to enter, and should avoid being drawn into, discussions of politically contentious matters and any Officer input should be consistent with the requirements for political impartiality.
- 9.5. The requirements of any protocols on Councillor/Officer relationships and the Code of Conduct must be adhered to where an Officer is attending an Overview and Scrutiny Committee.

10. Attendance by others

- 10.1. With reasonable notice, the Overview and Scrutiny Committees may invite individuals other than those referred to in Rule 9 of this Part 4C to address it, to discuss issues of local concern and/or answer questions.
- 10.2. Where the Overview and Scrutiny Committees conduct investigations (for example with a view to policy development), the Committee may ask individuals to attend to give evidence at its meetings, which are to be conducted in accordance with the following principles:
 - 10.2.1. the investigation is to be conducted fairly and all members of the Committee will be given the opportunity to ask questions of attendees, and to contribute and speak;
 - 10.2.2. those assisting the Committee by giving evidence will be treated with respect and courtesy; and
 - 10.2.3. the investigation will be conducted so as to maximise the efficiency of the investigation or analysis.

11. Reports from the Overview and Scrutiny Committee

- 11.1. The Overview and Scrutiny Committees will report on findings of their work to Cabinet and Full Council, as appropriate according to the matter under review and recommendations being made.

- 11.2. Once recommendations have been formed, the Overview and Scrutiny Committee will submit a formal report for consideration by the Cabinet, or where the Leader has delegated decision-making to a Portfolio Holder, the Portfolio Holder (if the proposals relate to an Executive Function and are consistent with the existing Budget and Policy Framework); or to Full Council as appropriate (if the recommendation would require a departure from or a change to the agreed Budget and Policy Framework).
- 11.3. Where recommendations have been submitted, Full Council or the Cabinet shall consider the report of the Overview and Scrutiny Committee within two months (or the next available meeting in the case of the Council). A response will be provided to the Overview and Scrutiny Committee indicating what action, if any, the Cabinet or Full Council proposes to take.
- 11.4. Where the Overview and Scrutiny Committee submits recommendations for consideration by a Portfolio Holder, the Portfolio Holder must consider the report and respond in writing to the Overview and Scrutiny Committee within two months of receiving it indicating what action, if any, the Portfolio Holder proposes to take. The Portfolio Holder must also attend a future meeting of the Overview and Scrutiny Committee to present their response.

12. Where the Decision Maker is an External, non-Council Organisation

- 12.1. Where that organisation has a statutory duty to respond to the Committee, a written response shall be requested within the timescale required or, if mutually agreed, by another set deadline so the response can be placed on the agenda of the next scheduled meeting of the Committee, if appropriate.
- 12.2. Where that organisation does not have a statutory duty to respond to the Committee, a written response shall be invited within 2 months.
- 12.3. Where scrutiny is being undertaken in relation to the Council's statutory Health or Crime and Disorder Scrutiny functions this will be done in accordance with the relevant legislation and statutory guidance.

13. Joint Committees

- 13.1. Overview and Scrutiny Committees may jointly scrutinise a particular matter to provide for effective Overview and Scrutiny. To ensure agile scrutiny can take place, there will be a presumption that this will be undertaken by a lead Overview and Scrutiny Committee, with invitation extended to the Chairs of other relevant Committees to attend and contribute to discussions. The Monitoring Officer will determine the lead Overview and Scrutiny Committee.
- 13.2. Where the Monitoring Officer determines that arrangements at 13.1 above will not lead to effective Overview and Scrutiny, a joint committee of more than one Overview and Scrutiny Committee may be formed. This will include all members of the relevant Overview and Scrutiny Committees. A Chair for the joint committee will be selected from between the Chairs of the relevant committees.

13.3. Determination of the matters at 13.1 and 13.2 above will be made by the Monitoring Officer in consultation with the Chairs and Vice-Chairs of the Overview and Scrutiny Committees. Consultation will be informal and may take place virtually.

13.4. Joint Overview and Scrutiny Committees may be established with other councils to provide for effective Overview and Scrutiny of a particular matter. This includes making provision for joint Overview and Scrutiny Committees relating to Health, and to Crime and Disorder, as permitted under legislation.

14. Call-In

14.1. All requests for Call-In shall be considered by the Overview and Scrutiny Board.

14.2. Where the relevant Overview and Scrutiny Committee referred to at 14.1 above has been engaged as part of the decision-making process of a decision subject to Call-In the Monitoring Officer shall have discretion to refer the consideration of the Call-In to another Overview and Scrutiny Committee.

~~14.1. Requests for Call-In shall be considered by the Overview and Scrutiny Committee with the remit most closely aligned to the matter that is the subject of the call-in. This will be determined by the Monitoring Officer on a case-by-case basis in consultation with the Chairs and Vice-Chairs of the Overview and Scrutiny Committees. Consultation will be informal and may take place virtually.~~

~~14.2.~~ 14.3. Call-In is the exercise of Overview and Scrutiny's statutory power to review an Executive Key Decision which has been made but not carried out. Call-In should only be used in exceptional circumstances. This Rule shall apply to a Key Decision of the Cabinet, the Leader, Portfolio Holder or a Key Decision made by an Officer and there are reasonable grounds that one of the following is applicable:

~~14.2.1.~~ 14.3.1. the decision was not made in accordance with the principles of decision-making set out in Article 12 of this Constitution;

~~14.2.2.~~ 14.3.2. the decision was neither published in accordance with the requirements for the Cabinet Forward Plan and not subject to the 'general exception' or 'special urgency' procedures set out in this Constitution; or

~~14.2.3.~~ 14.3.3. the decision is not in accordance with the Key Policy Framework or Budget.

~~14.3.~~ 14.4. When a Key Decision is made by the Cabinet, a member of the Cabinet, or a Committee or Sub-Committee of the Cabinet, or a Key Decision is made by an Officer with delegated authority from the Cabinet, the decision shall be published, by electronic means, and shall be made available for inspection normally within 2 clear working days of being made. All Councillors will be sent an electronic record of all such decisions within the same timescale.

~~14.4.~~14.5. Subject to any urgency provisions a decision taken and to which Rule ~~14.4~~14.3 of this Part 4C refers will not come into force, and may not be implemented, until the expiry of 5 clear working days after the decision was made, recorded and published in accordance with Rule ~~14.4~~14.3 of this Part 4C.

~~14.5.~~14.6. Where a decision referred to in Rule ~~14.4~~14.3 of this Part 4C has been made, any three or more members of the Overview and Scrutiny ~~Committee Board~~with the remit most closely aligned to the matter of the decision, or alternatively 10 Councillors who are not members of the Cabinet, may submit a Call-In notice, in writing, within the period specified in Rule ~~14.5~~14.4 of this Part 4C, to the Monitoring Officer or their nominated representative. Voting education members of an Overview and Scrutiny Committee may only sign a Call-In request when the matter relates to an education function. Where the notice is valid, the decision cannot be implemented until the procedures in this section have been followed. The Monitoring Officer will consider the Call-In request and confirm its validity or otherwise.

~~14.6. Where the relevant Overview and Scrutiny Committee referred to at 14.5 above has been engaged as part of the decision-making process of a decision subject to Call-In the Monitoring Officer shall have discretion to refer the consideration of the Call-In to another Overview and Scrutiny Committee.~~

14.7. A valid Call-In request must comply with the following:

14.7.1. have the correct number of signatures; and

14.7.2. give reasons for the Call-In. The reasons must set out the grounds upon which the Call-In is based with reference to Rule 14.2 of this Part 4C and the evidence to support the grounds. Reasons must be legitimate and not designed to create an obstacle to or delay the proper transaction of business nor should they be vexatious, repetitive or improper in any other way.

14.8. Where, as a result of a corporate electronic system failure or planned shutdown, the issuing of or access to decisions is prevented; or the submission of a Call-In notice by electronic means in accordance with the Council's Call-In provisions is prevented, the periods for notification or submission shall be extended by the period of delay, provided that period is in excess of four hours. When, in the opinion of the Monitoring Officer, the period of delay is likely to extend beyond two clear working days, they shall agree with the Chair of the ~~relevant~~ Overview and Scrutiny ~~Committee Board~~ – as outlined at 14.1 above - alternative arrangements to avoid any delay in implementing Cabinet decisions not subject to Call-In.

14.9. The decision subject to Call-In will be referred to the first available meeting of the ~~relevant~~ Overview and Scrutiny ~~Committee Board~~, or to a specially convened meeting of the ~~Committee Board~~ should the Chair of the ~~Committee Board~~ consider this to be appropriate in the circumstances.

14.10. The Overview and Scrutiny ~~Committee Board~~, having considered the matter, will decide whether to refer the decision to Cabinet for consideration. Where the

matter is referred for reconsideration, advice must be offered by the Overview and Scrutiny ~~Committee~~Board. The ~~Committee~~Board may decide to offer no advice in which case the decision may be implemented immediately. Where advice is offered, the Cabinet will reconsider the decision in light of the advice provided.

14.11. Where a matter is considered and advice is offered by the Overview and Scrutiny ~~Committee~~Board, its advice will be submitted to the Cabinet for a decision to be made on the matter. The Cabinet shall consider the advice, but shall not be bound to accept it in whole or in part. It shall have sole discretion to decide on any further action to be taken in relation to the decisions in question, including confirming, with or without amendment, the original decision or deferment pending further consideration, or making a different decision. There are no further rights to enable a Councillor to submit a Call-In notice. The decision may then be implemented.

14.12. Once the Overview and Scrutiny ~~Committee~~Board has decided to offer advice or not to offer advice, no further Call-In notices may be served in respect of that matter subject to the decision in question. This does not prevent the matter being scrutinised further by an Overview and Scrutiny Committee after the decision has been implemented in accordance with these Rules.

14.13. A submitted Call-In notice can only be withdrawn with the written consent of sufficient of the signatories such as to reduce the number of signatories to below the relevant threshold set out in Rule 14.5 of this Part 4C.

14.14. The Call-In facility does not apply to the determination of a Motion under Procedure Rule 10 of Part 4D (Notices of Motion).

15. Call-In and Urgency

15.1. The Call-In procedure set out above shall not apply where the Key Decision being taken by the Cabinet, the Leader, Portfolio Holder or an Officer is urgent.

15.2. A decision will be urgent if any delay, caused by the Call-In process, would be likely to seriously prejudice the Council's or the public's interests.

15.3. The Chair of the ~~relevant~~ Overview and Scrutiny ~~Committee~~Board—~~as set out at 14.1 above~~—or, in their absence, the Vice-Chair or in their absence the Chair of the Council must agree that the decision should be treated as urgent, and that the Call-In procedure should not apply.

15.4. In the absence of the Chair of the Council, the Vice-Chair's consent shall be required. In the absence of all of the above Councillors, the Chief Executive's, or their nominee's, consent shall be required.

16. Councillor Call for Action

16.1. Any Councillor may submit a Councillor Call for Action.

16.2. The Councillor Call for Action is intended to be a process of last resort and therefore a Councillor must demonstrate that reasonable steps have been taken to resolve the matter including a response from the relevant Portfolio Holder and the Chief Executive.

16.3. The Councillor Call for Action will be placed on the next available agenda of the relevant Overview and Scrutiny Committee.

16.4. It is for the Overview and Scrutiny Committee to determine how it wishes to respond to the Councillor Call for Action and, in the case of refusal to undertake a review, then reasons must be provided.

17. The Party Whip

The use of the Party Whip is incompatible with the role of Overview and Scrutiny and shall not be used.

18. Procedure at Overview and Scrutiny Meetings

18.1. Matters to be considered will be set out in an agenda, together with appropriate and relevant supporting papers.

18.2. The Overview and Scrutiny meeting shall consider the following business:

- 18.2.1. record of the last meeting;
- 18.2.2. declarations of interest;
- 18.2.3. public items;
- 18.2.4. consideration of any matter referred to the Committee by Full Council or by the Cabinet;
- 18.2.5. consideration of any matter referred to the Committee for advice in relation to Call-In of a decision;
- 18.2.6. responses of the Cabinet on reports of the Overview and Scrutiny meeting;
- 18.2.7. the business otherwise set out on the agenda for the meeting; and
- 18.2.8. the Overview and Scrutiny Committee's Work Plan, including requests for items of scrutiny from Councillors and members of the public in accordance with the procedure set out in this Constitution.

Scheme of Members' Allowances – 2023/2024

Bournemouth, Christchurch and Poole Council in exercise of the powers conferred by the Local Authorities' (Members' Allowances) (England) Regulations 2003, hereby makes the following scheme:

- a. This scheme may be cited as the Bournemouth, Christchurch and Poole Council Members' Allowances Scheme and shall have effect from 23 May 2023.
- b. In this scheme "Councillor" means a member of the Bournemouth, Christchurch and Poole Council who is a Councillor.

1. Basic Allowance

- 1.1. A Basic Allowance of £13,543 shall be paid to each Councillor.
- 1.2. The Basic and Special Responsibility Allowances shall be adjusted by an amount equivalent to any officers' pay award for 2023/24 in line with the Employees' National Salary Award and shall be applied retrospectively to 23 May 2023. Where the pay award is determined as a fixed amount the average pay award for BCP employees shall be applied for this purpose.
- 1.3. The Basic Allowance is intended to recognise the time devoted by Councillors to their work, including their community representative role, and to cover some incidental expenses incurred by them encompassing;
 - (a) the community representative role that all Members undertake that includes
 - representing constituents' views at meetings of the Council and, as appropriate, on other organisations;
 - ensuring that individual problems which have not been dealt with by the normal procedure are dealt with satisfactorily;
 - holding community meetings and consultations;
 - dealing with correspondence and obtaining information;
 - meeting with officers to make them aware of local concerns;
 - acting as the representative on another body, requiring briefing and reporting back to Council;
 - (b) attendance at and preparation for committee meetings;
 - (c) travel time and time spent representing the Council on outside bodies;
 - (d) the use of the home as an office including internet, telephone and postage costs and the purchase of stationery and related items; and
 - (e) some subsistence costs.

2. Special Responsibility

- 2.1. A Special Responsibility Allowance shall be paid to those Councillors (in addition to the Basic Allowance) who hold the special responsibilities; this is in recognition of

the additional workload and levels of responsibility and accountability placed upon members appointed to these roles:

| | |
|--|---------|
| Leader | £29,339 |
| Cabinet Members (including Deputy Leader) | £19,559 |
| Lead Members | £10,834 |
| Chair of the Council | £10,834 |
| Vice-Chair of the Council | £5,418 |
| Chair of Audit & Governance Committee | £10,834 |
| Chair of Planning Committee | £10,834 |
| Chair of Corporate and Community Overview & Scrutiny <u>CommitteeBoard</u> | £8,125 |
| Chair of <u>Environment and</u> Place Overview & Scrutiny Committee | £8,125 |
| Chair of Children's Services Overview & Scrutiny Committee | £8,125 |
| Chair of Health & Adult Social Care Overview & Scrutiny Committee | £8,125 |
| Chair of Licensing Committee | £10,834 |
| Vice-Chair of Licensing Committee | £2,709 |
| Chair of Appeals Committee | £3,251 |
| Chair of Standards Committee | £3,251 |
| Group Leaders* | £3,251 |

(***NOTE:** minority parties must have a membership of no fewer than 5 for their Leader to receive an SRA)

- 2.2. Councillors shall be restricted to claiming only one Special Responsibility Allowance (and may elect which SRA to receive) with the exception that a Group Leader's SRA can be payable as a second SRA.
- 2.3. Subject to paragraph 2.4 below, no Special Responsibility Allowance shall be paid to vice-chair of committees (with the exception of the vice-chair of Council and the Licensing Committee).
- 2.4. Where the relevant chair is permanently unavailable to perform their duties, the entitlement to a special responsibility allowance shall transfer to the elected vice-chair.

3. Travel allowances

- 3.1. Councillors and appointed members are entitled to claim travel allowances in line with MAP (HMRC approved Mileage Allowance Payments) for undertaking official business and travelling to the BCP Council offices for meetings and official business.