Bournemouth, Christchurch & Poole Council

Auditor's Annual Report for the year ended 31 March 2024

19 February 2025

Contents

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

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

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 2023/24 is the fourth year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below. An interim version of this report was issued on 14 July 2024 and presented to Audit & Governance Committee on 25 July 2024. This updated report has been issued now that we are in a position to issue our audit report for 2023/24. No new information has come to light in the intervening period that would warrant any changes to the judgements and conclusions reached in July 2024 in respect of 2023/24 Value for Money.

Criteria	2022/23 Auditor judgement on arrangements		2023/24 Auditor judgement on arrangements		Direction of travel
Financial sustainability	R	Two key recommendations on the transformation programme and the medium-term plan. Three improvement recommendations made.	R	Two new key recommendations raised in 2023/24 relating to the plan to manage the Dedicated Schools Grant (DSG) deficit and the Council's cash position. One significant weakness from the prior year remains outstanding in respect of medium-term financial plan. Positively, the prior year key recommendation in respect of the control and management of the transformation programme, as well as the delivery of savings and management of costs has been removed. No new improvement recommendations made in 2023/24 but one improvement recommendation from the prior year remains open.	↔
Governance	R	One key recommendation made in relation to the Council entering in high-risk ambitious projects without due governance. Seven improvement recommendations raised.	A	No significant weakness identified. The key recommendation from the prior year has been resolved and closed. We raised one improvement recommendation in 2023/24 and a further two improvement recommendations from the prior year remain open.	↑
Improving economy, efficiency and effectiveness	R	Two key recommendations raised around children's social care and BCP Future Places. One improvement recommendation raised in 2021/22 and 2022/23. Two improvement recommendations from 2020/21 remain open.	R	The key recommendation raised in the prior year relating to transformation and BCP Future Places is closed. We raise a new key recommendation on the Council's SEND provision. One key recommendation from the prior year relating to children's services remains open.	↔

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

Executive summary (continued)

Financial sustainability

In the prior year, we identified two significant weaknesses which gave rise to key recommendations in financial sustainability. One key recommendation was made in respect of the transformation programme and the second regarding the Council's medium-term plan and use of reserves. We believe that the Council has made good progress against the first key recommendation and this is no longer considered a significant weakness.

In terms of the the significant weakness in respect of the Council's medium-term plans for its General Fund Balances and Earmarked reserves, we note good progress over the last 12 months. Areas of improvement include returning to more conventional and traditional budget setting process combined with a more robust financial strategy underpinning the medium-term position.

Whilst the new administration clearly have a marked focus on financial rigour, it is our auditor judgement that the medium-term position and especially the 2024/25 budget, still contains significant risk. The Council's continued reliance on the sale of assets to fund a transformation programme means that the transformation journey is not complete and the underlying deficit not fully addressed.

The Council's reserves are at the lowest they have ever been since it was established as a unitary authority in April 2019. Whilst the unearmarked balance remains above the 5% net revenue expenditure mark, the Financial Resilience earmarked reserve has been fully depleted. The level of savings required for 2024/25 is unprecedented for the Council. We therefore conclude that this significant weakness and key recommendation remains outstanding for 2023/24. We will continue to monitor the Council's progress in this area.

We are reporting two new significant weaknesses giving rise to further key recommendations for 2023/24. Whilst included within our generic financial health key recommendation last year we now feel this area warrants separate reporting. The first relates to the Council's position with the Dedicated Schools Grant (DSG) deficit. The Council has been unable to secure an agreement with the DfE that would result in the systematic reduction of the DSG deficit to protect against the imminent expiry of the statutory override on 31 March 2026. The Council does not have a robust plan for when the statutory override elapses and will be technically insolvent on 31 March 2026 given the estimated general fund reserves and balance will be insufficient to offset the projected DSG deficit.

The second significant weakness, also primarily driven by the DSG deficit, relates to the Council's cash position. As a result of the accumulating deficit on the DSG, the Council is facing a severe cash shortage which is set to create a financial emergency before the current statutory override expiry date of the 31 March 2026. The Section 151 officer has stated that the Council will not be able to generate sufficient cash for the 2025/26 financial year to cover liabilities as they arise. It can continue to employ internal borrowing until Q2 of 2025/26 but from Q2 external debt will reach the Capital Financing Requirement (CFR) so the Council's internal borrowing flexibility will be exhausted, and at this point the Council will run out of cash. At present, the only option the Council has to mitigate this position is to apply for and be granted a capitalization direction which would allow the Council to externally borrow to fund its revenue budget. The cash position represents a significant weakness in arrangements to secure financial sustainability.

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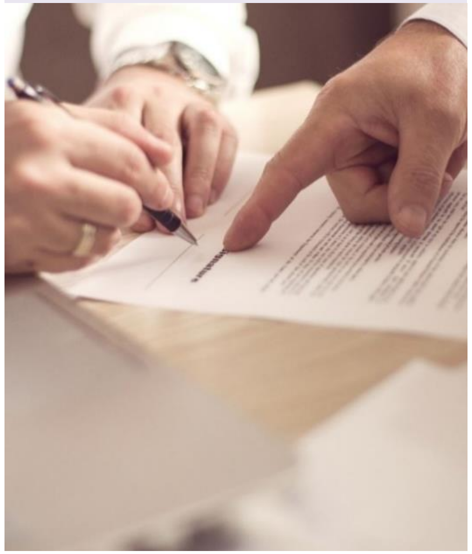
Financial Statements opinion

<u>2023/24</u>

Our work on the Council's 2023/24 financial statements is in now complete. We anticipate issuing a qualified disclaimer opinion following the Audit & Governance Committee on 27 February 2025.



Executive summary (continued)

Governance

In the prior year, we identified a significant weakness and raised a key recommendation around the Council entering high-risk ambitious and challenging projects without proper or full consideration of governance arrangements. Since May 2023, the Council has had a new administration. We note a clear change in approach to decision making. Specifically, a more traditional and conventional one, avoiding high-risk or ambitious projects for transformation with proper regard to advice from statutory officers. On this basis we no longer consider this a significant weakness in governance arrangements.

The Council was issued with a Best Value Notice in August 2023 which mentioned two key governance issues relating to Member relationships and the development of the senior leadership team. Since the issuing of the notice, the Council has proactively pursued an action plan to address the recommendations made. There is evidence of significant progress, though this will be reviewed by MHCLG in August 2024.

The Council has appropriate risk management arrangements in place. There is an effective internal audit function in place to monitor and assess the operation of internal controls. The Council has made significant changes to its budget setting process to bring it in line with traditional and conventional approaches. This was in place for the 2023/24 and 2024/25 budget setting processes.

On this basis we are able to conclude that the Council's governance arrangements for 2023/24 to be effective and have reported no significant weaknesses in arrangements.

Improving economy, efficiency and effectiveness

In the prior year, we identified two significant weaknesses in relation to Council's capacity to improve economy, efficiency and effectiveness in respect of children's services and the transformation programme. These gave rise to two key recommendations.

We note that the Council has made significant progress in implementing a robust decision-making process for decisions, BCP Future Places Ltd has come in-house and there has been a decisive change to scrutiny and the sale of assets to fund transformation. We consider this key recommendation to have been addressed. We commend the Council for their efforts in this area.

The second significant weakness related to children's services. The key recommendation was that the Council should address the weaknesses identified by Ofsted, and the Department for Education (DfE). We continue to identify a significant weakness in arrangements in this area, but recognise the effort that the Council has directed towards the improvement plan. The significant weakness remains in place due to the level of intervention the Council is in and the mixed progress toward improvement. The next Ofsted inspection is likely to be later this year providing a better indication of the Council's improvement journey.

The Council received a statutory direction in February 2024 following a monitoring visit in July 2023 by the DfE in respect of Special Educational Needs and Disabilities (SEND). The monitoring visit identified the Council has not demonstrated the impact and outcomes at the desired pace. This is judged to represent a significant weakness in arrangements for 2023/24. Whilst the Council is progressing with the improvement plan, it is clear from the action taken by the DfE, NHS England and Ofsted in respect of SEND that the Council is failing to provide a minimum core service standard and therefore not securing value for money.

We note in other areas the progress the Council is making to improving its arrangements for economy, efficiency and effectiveness. This has been demonstrated by the Council's improving data quality, with more accuracy and tailored information being provided to inform decision making. We have been satisfied by the Council's performance management system, frequent reporting and clear actions and documentation of owners helps the Council understand how it is performing. The new procurement function is currently being established as part of the transformation investment programme, and we will continue to monitor progress against this going forward. Furthermore, the Council is currently reviewing all partnership arrangements so it can clearly articulate who its key partners area and how best they can help facilitate service delivery.

Use of auditor's powers

We bring the following matters to your attention:

	2023/24
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 have not made any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.
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 have not issued a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	we have not made an application to the Court.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	we have not issued any advisory notices.
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.	• making an application for judicial review.

Key recommendations

Key Recommendation 1 (SW1)	The Council should continue to explore all opportunities to manage the Dedicated Schools Grant deficit in the medium term. This should include continued discussions with the Department for Education (DfE) and Ministry of Housing, Communities & Local Government (MHCLG) as well as other measures aimed at addressing the deficit.
Identified significant weakness in arrangements	The DSG deficit as at 31 March 2024 stood at £64m. But for the statutory override that removes the required for this deficit to be offset against general fund balances, this would have eliminated all currently available General Fund balance and reserves that totalled £65m at the same date. The DSG deficit is expected to rise to £92m by 31 March 2025, this exceeds the reserves balance and would make the Council technically insolvent should the statutory override elapse. The Council sought to secure a Safety Valve agreement with the DfE but was unable to agree to the proposed terms. From our wider sector experience, Councils with significant DSG deficits that have reached a Safety Valve agreement with the DfE are now benefiting both financially and operationally in addressing their deficits. As a result of the failure to secure a Safety Valve agreement, there is currently no comprehensive plan to manage the DSG deficit and mitigate the risk of technical insolvency if the statutory override elapses.
Criteria impacted by the significant weakness	Financial sustainability
Auditor judgement	Based on the work undertaken, we are not satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements in this area.
Management comments	In respect of the management of the DSG deficit the Council has implemented a 15-year recovery plan and is actively monitoring progress against its delivery via a SEND Improvement Board. Prior to the recent National Election, the Leader of the council wrote to the Secretaries of State for DLUHC and DfE further to an earlier motion to council.

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

Key recommendations

Key Recommendation 2 (SW2)	The Council must devise a plan to manage the cash shortfall expected to occur in 2025/26 and beyond. This plan should include consideration of the application for a capitalisation direction following liaison with Ministry of Housing, Communities & Local Government (MHCLG) to mitigate the forecast cash flow emergency.
Identified significant weakness in arrangements	The Council is at risk of running out of cash soon.
Summary findings	As a result of the accumulating deficit on the DSG, the Council is facing a severe cash shortage which is set to create a financial emergency before the statutory override elapses on 31 March 2026. The Section 151 officer has stated that the Council will not be able to provide enough cash for the 2025/26 financial year. It can employ internal borrowing until Q2 of 2025/26 but from Q2 external debt will reach the Capital Financing Requirement (CFR) so the Council's internal borrowing flexibility will be exhausted, and the Council will run out of cash. The cash position is amounts to a significant weakness in arrangements to secure financial sustainability. At present, the only option the Council has to mitigate this position is to apply for a capitalization direction which would allow the Council to externally borrow to fund its revenue budget.
Criteria impacted by the significant weakness	Financial sustainability
Auditor judgement	Based on the work undertaken, we are not satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements.
Management comments	The councils Director of Finance has formally written to his counterpart at DLUHC, copied to both Local Government Association, CIPFA and the External Auditor to commence the process of developing funding plan to manage/mitigate the cash shortfall.

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

Key recommendations

Key Recommendation 3 (SW3)	The Council should address the weaknesses identified by a recent statutory direction in relation to the SEND (special education needs and disabilities) service.
Summary findings	The Council received statutory direction in relation to SEND from the DfE in February 2024 following a monitoring visit in July 2023. The review conducted by the DfE and NHS in July 2023 concluded that the established plan was not demonstrating the impact and outcomes desired and not at pace, resulting in the Statutory Direction for SEND issues in February 2024. The result of the statutory direction means that the Council will be appointed an Improvement Adviser who will support the Council in continuing to develop a robust, realistic and achievable plan to improve its SEND functions
Criteria impacted by the significant weakness	Improving economy, efficiency and effectiveness
Auditor judgement	Based on the work undertaken, we are not satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements.
Management comments	A SEND Improvement Board has been established to ensure the weaknesses are addressed.

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

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

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

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

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

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

Financial sustainability

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

Governance

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

Improving economy, efficiency and effectiveness

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

Our commentary on the Council's arrangements in each of these three areas, is set out on pages 13 onwards.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications

The current LG landscape

National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

For Housing Revenue Accounts, inflation in recent years led to cost increases often outstripping rent rises. In the coming years, new legal duties on landlords are expected to increase costs further, without there necessarily being any additional funding to cover the new costs. At the same time, high construction prices are making it harder for councils to invest in the new accommodation which might have helped make savings in the revenue account, for example on temporary accommodation and homelessness. Housing Revenue Accounts are under further pressure due to regulatory challenges in housing quality in the light of national issues in respect of cladding and damp/mould issues.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of a section 114 risk;
- Twenty councils being with government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these councils had previously issued a section 114 notice.; and
- The Local Government Association warning that councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend.

Given the recent General Election any changes to government policy as a result of the change in government relating to the sector are at present uncertain.

The current LG landscape (continued)

Local context & direction of travel

Bournemouth, Christchurch and Poole Council (BCP Council) was established in 2019 to replace the prior councils (Bournemouth Borough Council, Christchurch Borough Council, Borough of Poole Council and part of Dorset County Council), the joining of Councils provided greater opportunities for business, growth and prosperity across all three areas. BCP Council is bordered by Dorset Council.

The population of BCP is aging, with the number of residents aged 65 and over set to increase by 15% between 2018 to 2029, the aging population form a large portion of BCP's total population at 24%. The makeup of businesses in BCP area is very similar to the rest of England, where Micro Businesses (0-9 employees) make up most of the businesses in the area at 89% compared to 90% across England, whereas in BCP large businesses (250 employees +) make up a small number less than 1% of all businesses in the area.

Bournemouth has significant employers within the banking, finance and insurance sector. Large employers in the region include JPMorgan, Nationwide Building Society, Liverpool Victoria and Tata Consultancy Services including a wide range of Insurance companies in the region. Whereas in Christchurch the aviation and engineering sector provides large employment such as BAE Systems. Poole has a combination of both the finance and banking sector making up a significant amount of employer such as American Express alongside maritime industries such as Sunseeker yachts.

The Council is formed of 33 wards with 76 Councillors, upon its establishment in 2019 the Council was operated with a mixed administration with the largest party being Conservative (35/76). However, the most recent election in May 2023 changed the political landscape of BCP with the Liberal Democrats, as the largest party, working with a number of the smaller parties in coalition

Whilst the challenges facing the Council remain significant, especially in the areas of financial sustainability and children's services, we note a real commitment since the May 2023 elections to establish a more prudent, cautious approach to governance and decision making with a real focus on financial rigour.

Financial sustainability

We considered how the Council:

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

2023/24 Financial Performance

The Council agreed the 2023/24 budget at the 21st February 2023 Full Council meeting. The budget agreed a net requirement of £308m with a council tax increase of 2.99% and adult social care precept of 2%. The budget was predicated on the delivery of £34m of savings.

The budget noted that the unearmarked reserves had dropped below the 5% net revenue expenditure benchmark, standing at 4.7% at the end of 2022/23. To counter this, the 2023/24 budget included an allocation of £1.9m to bring the reserves to the CIPFA recommended minimum of 5%.

The 2023/24 budget included the plan to use £33.8m of earmarked reserves to deliver financial balance. The planned reserves usage from 31 March 2023 to 31 March 2024 is outlined in the table below:

	31 March 2023 £'m	31 March 2024 £'m	Change
Unearmarked reserves	16	17.9	+1.9
Earmarked Reserves	46.61	12.8	- 33.81
Assumed 2022/23 surplus	10.1	0	-10.1
Total	**62.6**	**30.7**	**-42.01**

Table 1: Planned use of reserves for 2023/24

Source: February 2023 budget

In July 2023, the 2022/23 outturn was reported and the picture was, overall, better than the Council expected. The 2022/23 final outturn report caused the following changes to the reserves balances:

£m	31 March 2023 £'m
Unearmarked reserves	16
Earmarked Reserves	68.49
2022/23 surplus	10.6
Total	**95.09**

Table 2: 2022/23 outturn report

Source: Appendix B Earmarked Reserves as at 31 March 2022 and Financial Outturn Report 2022/23

The Council was therefore planning to heavily draw on earmarked reserves to balance the 2023/24 budget. The position became better than expected with the reporting of the 2022/23 outturn, nonetheless, there was still an expectation that reserves would need to be used to achieve balance. It is also worth noting that earmarked reserves are reserves that the Council has put aside for specific purposes. Often these specific purposes are dictated by statute, these types of reserves are known as 'ringfenced' reserves and they would sit in the earmarked reserves balance and cannot be used for any other purposes. However, the Council had an earmarked reserve called the 'Financial Resilience Reserve' which has been set aside with the purpose of supporting the general fund revenue budget.

Financial Sustainability

In this sense, this reserves functions in a similar way to the unearmarked reserves balance and therefore is used to fund general cost pressures on the Council's revenue budget. While the Council was planning to contribute to the unearmarked reserves balance by £1.9m, there was also the corresponding plan to use the Financial Resilience Reserve balance by £10.7m.

At 2023/24 outturn, the Council reported a £7m underspend on the general fund revenue budget. The underspend was driven primarily by forecast demand not materializing in Wellbeing Services and Operations Services implementing mitigation measures and delaying expenditure.

The Council reported 94% delivery of savings with £32m of savings delivered against a plan of £34m. This level of savings delivery against plan is positive to note and demonstrates the Council's efforts in securing a balanced position.

The reserves position as at 31 March 2024 (as per the 23/24 outturn report) were as follows:

	31 March 2023 £m	31 March 2024 £m	Change £m
Unearmarked reserves	16	26.1	+10.1
Earmarked Reserves	68.49	39	-29.49
Total	**84.49**	**65.1**	**-19.39**

Table 3: Actual reserves as at 31 March 2024

Source: 2023/24 outturn report

As can be seen from the table above, the reserves use is far better than was expected at February 2023 budget setting where the Council was planning to deplete the reserves balance in totality by £42m.

The Council ended up using £19m of reserves in total which is a far better position than was originally forecast.

However, it is important to note that while it may seem that the Council has increased its general unearmarked reserves balance by £10.1m, within the earmarked reserves balance lies the 'Financial Resilience Reserve' of which the Council used all £31.715m of in 2023/24. This earmarked reserve is now empty and the only reserve now available to service the revenue budget is the unearmarked reserve balance of £26.1m. This is above the CIPFA recommended 5% net revenue expenditure at 7.6% but nonetheless puts the Council in a vulnerable position for the medium term as the authority would not be able to draw on this balance to support 2024/25 to the same extent as it did for 2023/24 as this would fully deplete the unearmarked reserves.

2024/25 budget and the medium term

The Council approved the 2024/25 budget on 7 February 2024 with a net budget of £356.9m. The Council agreed an increase in council tax of 2.99% and 2% adult social care precept. The budget includes a plan to deliver savings of £38m for 2024/25.

The budget does not plan to use any unearmarked reserves and plans to increase earmarked reserves by £5.4m in the year. We are pleased to note this plan to replenish reserves rather than planning to use reserves. This marks a distinct change from our prior year reviews which saw heavy drawdowns on reserves to balance the budget.

The 2024/25 budget also saw the introduction of a spending freeze from 1 April 2024 for all non-essential expenditure. The Council implemented these control measures to provide Cabinet members with assurance that the ambitious savings target of £38m will be delivered.

The Council reported the medium-term financial plan (MTFP) at the same time as the 2024/25 budget but have since done an update to the MTFP which will be reported to Cabinet members in July 2024. The updated MTFP runs to 2027/28 and shows the Council to be forecasting a cumulative net funding gap of £9.3m at the end of the period.

Financial Sustainability

Outside of the £38m savings plan for 2024/25, the Council is forecasting the need to deliver savings totaling £10.3m, split as follows (as per the February 2024 budget):

	2025/26 £'m	2026/27 £'m	2027/28 £'m
Savings target	3.6	4	3

Table 4: Savings target 2025/26 to 2027/28

Source: February 2024 Medium Term Financial Plan

Considering the scale of the Council's savings delivery in 2023/24 and the ambition for 2024/25, these targets, appear realistic and achievable.

The MTFP shows reserves usage to 2026. It does not show planned reserves use for the whole period of the MTFP.

The Council is not planning to draw from unearmarked reserves from 2024/25 to 2025/26. However, the Council anticipates it will use £10.2m of earmarked reserves for the purposes they were set aside. This will reduce overall reserves and balances further into the medium term. The MTFP update has also revised the previous February 2023 budget assumption that the Council would replenish the earmarked reserves in 2024/25. The latest update is showing the reserves usage as follows:

£m	31 March 2024	31 March 2025	31 March 2026
Unearmarked reserves	26.1	26.1	26.1
Earmarked Reserves	38.8	37.4	27.2
	64.9	63.5	53.3

Table 5: Planned Reserves Usage Up to 2025/26

Source: July 2024 update to Medium Term Financial Plan

Table 5 shows that the Council is planning on using earmarked reserves in 2024/25 and 2025/26 to balance the budget. However, the table shows a significant decrease in reserves usage in comparison to 2023/24. Nonetheless, the MTFP shows that the Council is still dependent on reserves to reach a balanced position which is unsustainable.

Bournemouth, Christchurch and Poole Council was established on 1 April 2019 and at that point, reported £52.6m in earmarked reserves. 2020/21 represented an extraordinary year due to COVID grants from central government. As demonstrated in the graph below, the Council's earmarked reserves are now at the lowest point they have ever been in the history of the Council since its inception in April 2019. We are conscious that, excluding the COVID years, the Council has been drawing on reserves heavily to sustain itself.

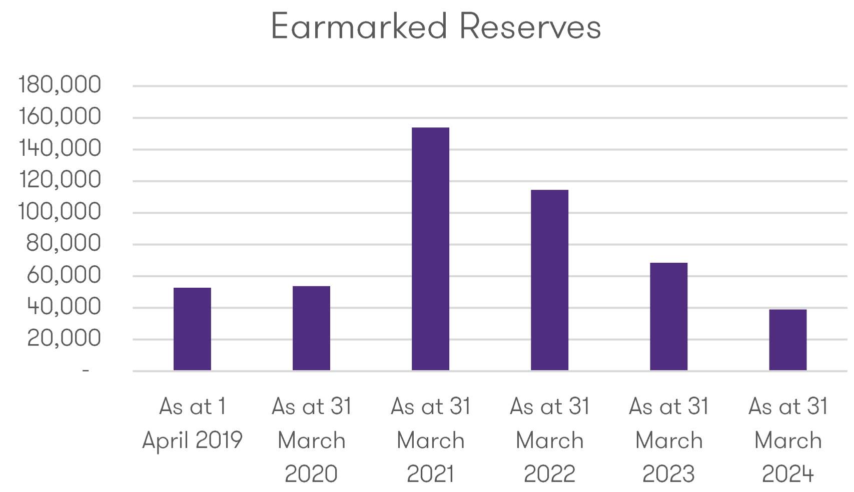


Table 6: Earmarked Reserves Movements since 1 April 2019

Source: Outturn Reports

Financial Sustainability

We found a significant weakness in arrangements in 2021/22 and 2022/23 around the Council's medium term plan and the risks associated in that plan. The Council's reserves are at the lowest they have ever been since the Council was established in April 2019, it is dependent on asset sales to fund transformation, it has to deliver an unprecedented level of savings in 2024/25 in order to deliver a balanced position and the only earmarked reserve set aside to fund revenue budget pressures (Financial Resilience Reserve) has been fully depleted.

The MTFP anticipates the will use £10.2m of earmarked reserves through to 2026 for the purposes they were set aside. This will reduce overall reserves and balances further into the medium term. This is without consideration of the use of reserves to 2028, which the Council has not publicly reported. There is therefore likely to be the need for more reserves to be used from 2026 to 2028 to achieve a balanced position. The use of reserves and the flexible use of capital receipts represent one off measures required to fund the revenue budget and these are not sustainable for long-term viability.

We recognise the significant strides toward improvement that the Council has made in the last 12 months. The approach to budget setting and financial strategy is noteworthy. The new administration appears to have a decisive approach to financial rigour. The return to a much more conventional and traditional view of budget setting represents a significant improvement. However, we still believe that there are risks associated with the Council's financial sustainability. Our significant weakness and key recommendation on this matter from the prior year remain outstanding. We do not feel that there has been enough progress to warrant the removal of the significant weakness but do acknowledge the significant strides that the Council has made. We will continue to monitor the direction of travel and will continue to recognise the Council's achievements and efforts.

Savings

At February 2023 budget setting, the Council assumed delivery of £34m of savings which included £9m unitemised transformation-based savings. The budget therefore carried a level of inherent risk. At quarter 1, the Council anticipated non-delivery of the whole £9m of unitemised savings and service budgets were reduced to reflect a more achievable level. The Council also put expenditure control mechanisms in place from September 2023 to minimize spend on non-essential activity and enable delivery of savings.

During 2023/24, the Council has managed to achieve significant savings in the direct operating costs of the Council through efficiencies generated by local government reorganization and the transformation programme.

As per the 2023/24 outturn report, the Council achieved 94% of the £34m savings budgeted. We are pleased to note this level of delivery against plan.

The 2024/25 budget assumes the delivery of £52m in savings over the medium-term period, of which £18m relates to transformation. Each saving is supported by a detailed delivery plan, and some are supported by the one-off application of resources to phase their implementation.

The Council is planning to deliver the following savings over the medium-term period:

	2024/25 £'m	2025/26 £'m	2026/27 £'m	2027/28 £'m
Savings target	41.2*	3.6	4	3

Table 7: Savings Plan in the Medium Term Financial Plan

Source: February 2024 Medium Term Financial Plan

** Please note due to late funding announcement £41.2m for 2024/25 became £38m*

The amount of savings for 2024/25 is significant. It is likely that this amount of savings may not be delivered in year just due to the sheer size. In this case, any failure to deliver savings in one year would impact the base budget of the successive year and would result in an ongoing gap. As the Council has a modest saving requirement from 2025/26 onwards, this is unlikely to cause severe disruption and the Council is still likely to be able to deliver. Particularly when we note the high level of savings delivery in 2023/24.

The Council state that they have only included the savings that have been identified in the MTFP. This means that if any additional savings are identified, they will be added to the requirement, which may increase depending on how the assumptions in the MTFP materialize.

Financial Sustainability

The 2024/25 budget also includes a £5.7m contingency to allow for the degree of uncertainty attached to a few high value savings proposals.

The Council has also continued to implement spending controls from 1 April 2024 to allow for the delivery of the £38m in the 2024/25 budget. The Council will monitor the progress of each individual saving at Corporate Management Board to provide assurance of their delivery.

The Council's delivery of savings in 2023/24 provides confidence that the Council is capable of delivering savings to such a scale as it is planning for 2024/25. However, there continues to be significant risk in delivering the 2024/25 savings which represents 20% more than the 2023/24 savings that the Council managed. It is also worth noting that the Council is heavily reliant on these savings to achieve a balanced budget. Any failure to deliver savings may result in an increased reliance on reserves which are finite, and it is not advisable to use reserves to fund general revenue budget pressures. However, we note that the Council has hedged against this risk by creating the £5.7m contingency budget.

Overall, we are comfortable with the Council's plans for savings in the medium-term plan but note the high reliance on savings to achieve a balanced position and also note the risk and uncertainty assumed within the MTFP. We believe the Council has implemented the appropriate mitigating arrangements to risk manage the savings delivery plan: for example, the spending controls, the contingency budget allocation and the governance arrangements around the savings plan to ensure rigorous monitoring and to provide the Cabinet with assurance.

Dedicated Schools Grant

The Dedicated Schools Grant (DSG) is a ring-fenced grant from the Department of Education to local authorities for spending on schools. The funding is split into four blocks for early years, mainstream schools, pupils with high needs and to support a small range of central council services.

All councils are currently benefitting from the statutory override that has been provided for DSG deficits which effectively allows local authorities to temporarily deviate from normal accounting practices and keep the DSG deficit off the balance sheet. In 2022, the government's local government finance policy statement announced that the statutory override for the Dedicated Schools Grant (DSG) would be extended for the next three years from 2023-24 to 2025-26.

When the statutory override expires, councils will be expected to cover the cost of their DSG deficits themselves. This would likely have to be met from un-ringfenced general reserves. The risk arises when many councils consider that their general reserves balance may be close to or less than the amount required to fund their DSG deficit. Many councils have become dependent on the statutory override to continue functioning.

The High Needs Block (HNB) element of the Dedicated Schools Grant (DSG) has experienced significant pressure for local authorities across the country as demand for places and complexity of cases has increased.

For the Council the accumulated deficit on the DSG as at 31 March 2023 was £35.8m.

In July 2023, the Chief Executive wrote to the Secretary of State for Levelling Up, Housing and Communities regarding the DSG deficit. The letter outlined the following forecast for the accumulated deficit on the DSG.

£m	31/03/22 Actual	31/03/23 Actual	31/03/24 Forecast	31/03/25 Forecast	31/03/26 Forecast	31/03/27 Forecast
DSG deficit	(20.3)	(35.8)	(63.7)	(105.9)	(157.8)	(218.7)

Table 8: Forecast Dedicated Schools Grant Deficit 2022-27

Source: Letter to Secretary of State

The letter also outlined that the Council has been struggling with the growth in demand for EHCPs (Education, Health and Care Plan) and the costs increasing above the funding allocation for the High Needs Block. The Council acknowledges that it is totally reliant on the statutory override and has no reserves to cover the DSG deficit when the statutory override ends. The Council would at that point become technically insolvent. The Section 151 officer would strongly need to consider a Section 114 report, due to the inability to set a balanced budget for the forthcoming year (2026/27). Financing the DSG deficit is also currently costing the Council £1.25m per year in financing costs alone.

Financial Sustainability

The Department for Education hosts the Delivering Better Value in SEND programme (DBV in SEND) aiming to support local authorities to improve the delivery of SEND and work toward financial sustainability. Bournemouth, Christchurch and Poole Council is one of the 55 local areas taking part in the programme. The involvement included a diagnostic where councils financial assumptions and forecast deficit growth were reviewed. The outcome for BCP was a relatively small increase compared with the council's projections for the accumulated DSG deficit with the diagnostic finding only minor savings possible from this higher position. No actual solutions to the funding gap were forthcoming.

In July 2023, the Council was invited to participate in the Safety Valve (SV) intervention programme. The programme aims to replace and build on the work already completed in the DBV programme. The Council was tasked with agreeing a package of reform to improve performance of the local high needs system and develop substantial plans for reform with support from the DfE to put them on a sustainable footing. If councils can agree with the DfE, the idea is that the local authority will be held to account for the delivery of their plans via quarterly reporting to the DfE. If the DfE is satisfied with performance, the local authority will receive incremental funding to support the elimination of historical deficits, spread over the lifetime of the agreement (generally five years). The arrangement relies on negotiation between the Council and the DfE.

In July 2023, the Council presented an update to the Medium-Term Financial Plan (MTFP) which highlighted the continuing financial challenge with the DSG. The update showed an assumed in-year deficit for 2023/24 of £27.1m which, once added to the accumulated deficit of £35.8m brought forward, brings the Council to a projected accumulated deficit of £62.9m as of 31 March 2024. The Council notes that this level of accumulated deficit is not sustainable and shows that the Council is predicting to have a negative reserve from 31 March 2024. The statutory override which runs to 31 March 2026 is currently protecting the general fund from this impact. The budget monitoring report for Q1 presented the same forecast.

In August 2023, the Council received a letter from the DfE regarding the Council's performance in the SEND service. The DfE was disappointed with the lack of pace and inconsistent improvement across the service.

In the Q1 monitoring report (September 2023), the Council noted data issues which were affecting the forecasts which were caused by delays in processing assessments for EHCPs and determining placements with funding. This is due to rising caseloads and staff shortages. This was also affecting the service as children were staying in mainstream schools for longer.

In the December 2023 update to the MTFP, the Council noted that, by April next year, the DSG deficit would be greater than the Council's total general fund reserves and, if the statutory override was not in place, would result in a Section 114 notice. The DSG deficit represents the most significant risk to the Council's financial sustainability.

In March 2024, the Council received an update from the DfE on the Safety Valve negotiations. The DfE noted that BCP's proposal did not meet the criteria for the Safety Valve programme and that the proposal included an ask of the Department that was significantly above the level which could be reasonably afforded in comparison to other agreements. The DfE resolved that the Department could therefore not enter into an agreement with the Council at this time.

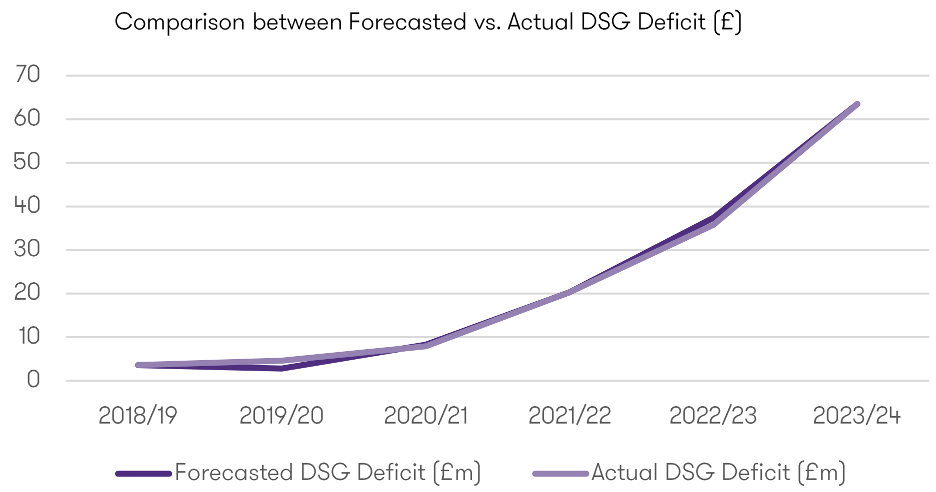
The letter stated that the DfE proposed to continue working with the Council over the coming months to find an appropriate solution. The Department asked the Council to continue to develop plans to bring BCP to a more sustainable high needs system.

In May 2024, the Council wrote to the Ministry of Housing, Communities & Local Government (MHCLG) about the increasing concern surrounding the annual deficit on the DSG. The accumulated deficit was £64m as at 31 March 2024 – which is in line with the total available reserves of £65m. The deficit is also expected to rise to £92m by 31 March 2025. This clearly exceeds the available reserves and makes the Council technically insolvent as soon as the statutory override elapses. The letter notes that the Council's Safety Valve proposal was not endorsed by the DfE and that negotiations appear to have stalled. The DSG deficit is also causing a cash flow challenge which is discussed in greater detail below.

The challenges surrounding the DSG deficit represent a significant weakness in the Council's arrangements to secure financial sustainability. The Council is likely going to need to issue a Section 114 notice for the 2026/27 budget when the statutory override elapses if alternative arrangements are not forthcoming.

Financial Sustainability

We reviewed whether the Council was being overly pessimistic in its forecast by comparing forecast DSG deficits at February budget setting to actual end of year outturn reports since 2018/19. The graph below shows that the Council's forecasts tend to be close to accuracy and the Council is not typically overly optimistic nor pessimistic regarding DSG forecasts. This adds greater concern to the forecast highlighted in Table 9.



We are disappointed to note that the Council was unable to secure a successful agreement for the Safety Valve programme as this represented the Council's only real hope of remedying the position before the end of the statutory override. From our wider sector experience, Councils with significant DSG deficits that have reached a Safety Valve agreement with the DfE are now benefiting both financially and operationally in addressing their deficits. The Council is significantly exposed to a likely Section 114 notice without the support of the Safety Valve programme. While the demand and costs on the DSG deficit are largely out of the Council's control, the negotiations with the DfE are within its gift and must be prioritized as a means of mitigating the position on the DSG. We believe that this is a significant weakness in arrangements and have raised a key recommendation accordingly.

Cash

As a result of the accumulating deficit on the DSG, the Council is facing a severe cash shortage which is set to create a severe financial emergency before the statutory override elapses on 31 March 2026.

The Council is currently reflecting an extremely under borrowed position. The Council has been using internal borrowing (reserves, balances and cash) to finance its expenditure for the high needs block for the Dedicated Schools Grant as a temporary measure. The DSG deficit has now ballooned to an unsustainable degree and the authority is finding itself in the position of potentially running out of cash. The Section 151 officer has stated that the Council will not be able to provide enough cash for the 2025/26 financial year. It can employ internal borrowing until Q2 of 2025/26 but from Q2 external debt will reach the Capital Financing Requirement (CFR) so the Council's internal borrowing flexibility will be exhausted and the Council will run out of cash.

The cash position is a significant weakness in arrangements to secure financial sustainability. At present, the only option the Council must mitigate this position is to apply for a capitalization direction which would allow the Council to externally borrow to fund its revenue budget. The CIPFA Prudential Code for Capital Finance in Local Authorities states that the Council must ensure that any temporary borrowing for revenue purposes must be within the headroom flexibility allowed between the external borrowing and the Capital Financing Requirement. The Council is coming close to the headroom between the two benchmarks running out, forcing the need to borrow for revenue purposes which is in breach of the Local Government Finance Act 2003. We believe that this is a significant weakness in arrangements and have raised a key recommendation accordingly.

Financial Sustainability

Flexible use of capital receipts

The delivery of the transformation programme is central to the Council's plans to achieve financial sustainability through efficiencies and avoidance of significant cuts to its services. The bringing together of the three legacy authorities has resulted in multiple complex systems and perceived duplications within the inherited practices which the Council sought to address through the transformation programme. The core element of financing the transformation programme was the ability to use capital receipts to meet the revenue costs of transformation (Capital Flexibilities Initiative). The Capital Flexibilities Initiative is permitted by the statutory direction published by Ministry of Housing, Communities & Local Government (MHCLG) 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.

The Council during the 2023-24 budget setting process agreed not to utilise the £20m Capitalisation Directive, but instead to use the Capital Receipts of assets to fund the transformation programme. At this point, we noted that the Council's change in approach to avoid the use of the Capitalisation Directive seemed a more sensible approach to managing the Council's finances.

At 2023/24 budget setting, the Council forecast the need to fund £16.061m of revenue expenditure via flexible capital receipts as follows:

(£8.342m)	**31. 03.23 Brought Forward Capital Receipts**
(£11.890m)	Forecast in-year capital receipts
£13.115m	Transformation Investment Programme expenditure
£0.760m	Children's Services service specific transformation expenditure
£0.545m	Adult Social Care service specific transformation programme
(£5.812m)	**31.03.24 Forecast Capital Receipts Carried Forward**

Table 10: Flexible Use of Capital Receipts Plan for 2023/24

Source: February 2023 Budget

The Council did not meet its forecast in-year capital receipts of £11.89m and instead delivered £4.545m (a shortfall of £7.4m or 61%). However, the Council also did not spend as much as was originally forecast at budget setting. The net impact was as follows:

(£8.362m)	**31. 03.23 Brought Forward Capital Receipts**
(£4.545m)	Actual in-year capital receipts
£0.029m	Costs of disposal
£10.473m	Transformation Investment Programme expenditure
£0.656m	Children's Services service specific transformation expenditure
£0.429m	Adult Social Care service specific transformation programme
(£1.32m)	**31.03.24 Capital Receipts Carried Forward**

Table 11: 2023/24 Flexible Use of Capital Receipts Actuals

Source: 2023/24 Outturn Report

Financial Sustainability

In 2024/25 the Council is planning to spend £17.553m of revenue expenditure on its transformation programme. The plan is as follows:

(£1.320m)	**31. 03.24 Forecast Brought Forward Capital Receipts**
(£16.384m)	Forecast in-year capital receipts
£0.057m	Costs of disposal
£14.610m	Transformation Investment Programme expenditure
£1.050m	Children's Services service specific transformation expenditure
£1.893m	Adult Social Care service specific transformation programme
(£0.094m)	**31.03.25 Forecast Capital Receipts Carried Forward**

Table 12: Planned Flexible Use of Capital Receipts 2024/25

Source: 2023/24 Outturn Report

The Council is going to need to generate more capital receipts in order to fund the transformation programme. The authority is currently in the process of reviewing proposals to generate a healthy pipeline of capital receipts to secure the sustainability of the programme and this includes the potential disposal of Poole Civic Centre.

Using capital receipts has risks associated as it forces the Council to be reliant on asset sales to fund transformation. The Council has already shown that it struggled to sell the assets it needed to sell to meet the expenditure goals it had for 2023/24. While a legitimate means of funding transformation, dependence on asset sales to ultimately deliver savings is a strategy that is not without a high degree of risk.

The Council has hedged against this risk, partly by implementing governance arrangements around the asset disposal programme. The Council established a clear governance programme for asset disposals which includes the Councils Capital Briefing Board, Corporate Property Group, Cross Party Strategic Asset Disposals Working Group, the Cabinet. There is also a pipeline for disposals in place.

CIPFA Resilience Review and Best Value Notice

In August 2023, the Council was issued with a Best Value Notice from the Ministry of Housing, Communities & Local Government (MHCLG). The Best Value Notice is a formal notification that the Department has concerns regarding an authority and is a request that the authority engages with the Department to provide assurance of improvement. The Department expects authorities that have been issued with Best Value Notices to continue leading their own improvement. MHCLG recognised, within the Best Value Notice, that BCP were already taking steps to address the identified issues. The notice cited 4 main issues:

1. Member to member relationships and member to officer relationships
2. The robustness of the Medium Term Financial Plan
3. The governance and remit of BCP Future Places Ltd
4. The effectiveness of the officer leadership team

We address issue 1 and 4 in the Governance section of this report and issue 3 in the Improving Economy, Efficiency and Effectiveness section.

In terms of issue 2, the Department considered that the authority's medium term financial plan was unrealistic and based on an overly ambitious transformation programme. The Council have since reviewed the transformation programme. We also recognise the concerns in the medium term position. This is acknowledged through our identification of a significant weakness in arrangements for 2023/24 on the medium term financial plan.

In February 2024, CIPFA finalised its external assurance review into BCP's financial arrangements. The report raised 17 recommendations. There were no critical recommendations which needed to be addressed in the context of the Best Value Notice. The most recent progress summary as at April 2024 showed that the Council was progressing well with 30% of recommendations completed, 41% were progressing well and 29% had just been started. We will continue to monitor progress against Council's action plan for the CIPFA financial review but are satisfied that the Council is pursuing the agreed recommendations.

Financial Sustainability

Conclusion

In the prior year, we identified two significant weaknesses which gave rise to key recommendations in financial sustainability. One key recommendation was made around the transformation programme and the second was around the Council's medium-term plan and use of reserves. We believe that the Council has made progress against the first key recommendation, and this is no longer considered a significant weakness.

We would like to commend the Council for the progress it has made in improving its position in relation to the second key recommendation. Significant improvement has been achieved in a twelve-month period, particularly in the Council's approach to budget setting, returning to more conventional and traditional budget setting arrangements and in the financial strategy underpinning the medium-term position. The new administration clearly have a marked focus on financial rigour.

In summary, it is our auditor judgement that the medium-term position and especially the 2024/25 budget, still contains significant risk. The Council's continued reliance on the sale of assets to fund a transformation programme means that the transformation journey is not complete and the underlying deficit not fully addressed. In addition, the Council continues to faces significant cost pressures including the potential impact on ongoing revenue costs as a result of the 'Pay and Reward' project.

The Council's reserves are at the lowest they have ever been since it was established as a unitary authority in April 2019. While the unearmarked balance remains above the 5% net revenue expenditure mark, the Financial Resilience earmarked reserve has been fully depleted. The level of savings required for 2024/25 is unprecedented for the authority. This significant weakness and key recommendation remains outstanding. We will continue to monitor the Council's progress in this area.

We have identified two new significant weaknesses giving rise to key recommendations for 2023/24. The first new significant weakness relates to the Council's position with the Dedicated Schools Grant (DSG) deficit. The Council has been unable to secure an agreement with the DfE that would result in the systematic reduction of the DSG deficit to protect against the imminent expiry of the statutory override on 31 March 2026. The Council does not have a robust plan in place for when the statutory override elapses and will be technically insolvent on 31 March 2026 when the reserves balance will be depleted to serve the Dedicated Schools Grant deficit. We consider this to be a significant weakness in arrangements and raise a key recommendation.

The second new significant weakness relates to the Council's cash position. As a result of the accumulating deficit on the DSG, the Council is facing a severe cash shortage which is set to create a financial emergency before the statutory override elapses on 31 March 2026. The Section 151 officer has stated that the Council will not be able to provide enough cash for the 2025/26 financial year. It can employ internal borrowing until Q2 of 2025/26 but from Q2 external debt will reach the Capital Financing Requirement (CFR) so the Council's internal borrowing flexibility will be exhausted, and the Council will run out of cash. At present, the only option the Council has to mitigate this position is to apply for a capitalization direction which would allow the Council to externally borrow to fund its revenue budget. The cash position is amounts to a significant weakness in arrangements to secure financial sustainability.

We do not raise any new improvement recommendations in 2023/24. One improvement recommendation from 2022/23 remains open.

Governance

We considered how the Council:

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

Monitoring and assessing risk

The Council has arrangements in place to identify strategic risks, understand them, record them within the body's risk management system and assess/score them. The Council uses a matrix risk management process, which was legacy process from Bournemouth Council. The framework has been enhanced to reflect the increased remit of the authority.

At the level below the Corporate Risk Register, there are Service Risk Registers into which risks removed from the corporate list are placed and, with the involvement of the Risk Management Team, are continually reviewed and discussed as a part of routine risk review. At the January 2024 Audit and Governance Committee, it was noted that there was now a further layer to the risk review process focussing on dynamic risk.

The Council has arrangements in place to report risks to the Audit Committee, providing assurance that risks are being identified and appropriately managed. The arrangements enable the Audit Committee to focus on the key corporate risks, i.e. not reporting on too many risks. The latest available risk register (April 2024) included 13 corporate risks which is considered adequate. The Corporate Risk Register is updated and presented quarterly to the Cabinet and the Audit and Governance Committee. It includes the details of each risk, their likelihood and impact score. The quarterly reporting allows for members to challenge and to document changes in risks. It also provides a clear audit trail on when new risks are raised or when risks are closed.

The Cabinet also consider risks as part of their decision-making role on corporate policies, including the annual budget setting processes.

From our review the corporate risk register, we recommend that the Council include the key controls and sources of assurance in its reporting to further aid transparency and enable more scrutiny.

Internal Audit

The Council has adequate and effective internal audit function in place to monitor and assess effective operations of controls. It has shown it can deliver sufficient amount of its work.

The Internal Audit Plan for 2023/24 was presented to the March 2023 Audit and Governance Committee. This plan included a new Internal Audit Data Analytics Strategy which set out how internal audit intends to increase its use of data analytics to provide a greater level of assurance, to increase testing coverage and improve efficiency. Members approved the Internal Audit Charter at the same meeting which is in line with Public Sector Internal Audit Standards (PSIAS).

Internal audit updates to the Audit and Governance Committee noted recruitment and retention challenges which were causing significant challenges in completing the audit plan for 2023/24. The updates noted that these challenges could be mitigated in the short term. These recruitment and retention challenges are not uncommon in local government bodies.

At the time of writing, the internal audit function has yet to deliver their final 2023/24 report. However, reviewing the most recent quarterly report. We noted that as of quarter four report the Internal Audit function had delivered 37 audits and raised 176 recommendations, this is significantly higher when compared to the 134 recommendations raised in 2022/23. Reviewing the audits delivered, the level of assurance across the service lines were 'reasonable'.

Governance

Budget Setting Process

During 2022/23, the Council's budget setting approach emphasised driving the Council towards a more sustainable financial footing. This sustainable financial footing was intended to be delivered by increasing council tax as well as service-based and transformation-based savings. However, the Council aimed to establish a special purpose vehicle to generate capital receipts from the sale of beach huts to a wholly owned company. The proceeds would subsequently fund revenue costs of transformation under the use of flexible use of capital receipts. Following unseen representations made directly to MHCLG, the Council were informed in August 2022 that MHCLG had changed the flexible use of capital receipts guidance. While these changes would not prevent the Council from setting up a special purpose vehicle to commercialise its beach hut assets, they would prevent the use of capital receipts for such an arrangement to fund the transformation investment programme.

The initial proposals were predominately driven by the then-Leader of the Council with the aim of increasing income to maintain service provisions whilst minimising any need to increase council tax further. This may have well benefitted service recipients in the short term but the disposal of such an asset would have implications for future revenue streams and the ability to balance the budget in the long term. We raised our concerns that such decisions may not have full regard to the risk of the future council taxpayer and may be based on short-term benefits at the expense of long-term sustainability.

The 2023/24 approved budget was based on a traditional and conventional approach to local government finance, without any risky or innovative financial models that tested the boundaries of Treasury orthodoxy. The initial budget workshops were undertaken in November 2023, where all councillors were present and able to challenge/propose solutions. The budget setting engagement exercise closed in December 2023. After the engagement closed, the Audit and Governance committee established a clear treasury management strategy that aligned to the plan. The Council subsequently undertook another budget workshop in January 2024, where all councillors could engage. Although the Council had taken steps to improve the 2023/24 budget setting, there were still concerns surrounding the Council's arrangements.

In February 2023, we wrote to the Council to raise concerns about the arrangements in place to set the 2023/24 budget to be approved at Full Council on 21 February 2023. We were sufficiently concerned over the possibility of late amendments to the then 2023/24 indicative revenue budget proposals.

We were concerned about the possibility of a late stage alternative budget proposal from the then Leader. This potential late stage amendment posed governance and scrutiny concerns and financial sustainability concerns. Although, ultimately, no proposals were put forward, the episode nonetheless highlights the risks around decision-making and governance at the Council.

The 2024/25 budget was the first time where we did not find significant governance concerns. The approach was based on traditional and conventional approaches to local government finances, where a more prudent and typical approach was undertaken.

The Council's budget setting approach was more typical in terms of its timeline and involved members as part of the process. We could see from the budget setting timeline and the minutes from Cabinet and Audit Committee minutes that from November 2023 the budget engagement exercise opened in which members could demonstrate their views and challenge officers in establishing the budget. The budget setting engagement exercise then closed in late December 2024, for Audit and Governance Committee to review the Treasury Management Strategy to ensure it aligned with the proposed budget. In January 2024, the Council held a Budget Café where all Councillors could challenge the budget prior to developing the final proposed budget. The budget was also presented to representatives from local businesses to allow for wider stakeholder challenge, then finally the budget was presented to Cabinet in February 2024.

Furthermore, the Council undertook public consultation around the process for budget setting for 2024/25, as part of its commitment to being open and transparent. The Council undertook a consultation asking residents and stakeholders for their view on the importance of Council services and financial strategy. It also asked if they wanted to comment on specific proposals to address the budget gap for 2024/25. In total, the Council received 2,445 responses and the full analysis of the findings was included in the budget setting report. The 2024/25 budget was underpinned using a financial strategy that was focussed on value for money and the Council's financial health and ongoing sustainability. The budget recognised the £30m annual structural deficit it had to recognise further resources to deliver any of the £34m assumed savings. The budget had to recognise the acute pressures caused by prior years of reduction of central government funding, high inflation and the exceptional demand pressures.

Governance

We note the Council's progress from the 2022/23 budget setting, with improvement in 2023/24 (with governance concerns) and significant improvement in 2024/25. There is wider stakeholder engagement throughout the process, and the budgets themselves are far more traditional and more risk averse. The strategies themselves are underpinned on more traditional and prudent methods of finance (delivering budgets through savings and efficiencies etc.) compared to the higher risk, unconventional approach to the transformation investment programme.

Leadership and Governance

Prior to the elections in May 2023, the Council had a Conservative-led administration but without overall control (35/76). A new administration was placed into the Council on the 4 May 2023, the political make-up of the authority had changed to now have a Liberal Democrat (28), Conservative (12), Labour Party (11), Christchurch Independents (8), Green Party (5), Independents (5), Poole Engage – Action not Words (2) and Poole People – Independent and Local (5).

In previous reports we have identified concerns around the Council's governance arrangements specifically the member-to-member and officer-to-member relationships were assessed as adversarial. This was impacting on decision making, specifically we identified a significant weakness around the Council entering high-risk ambitious and challenging projects without proper or full consideration of governance arrangements.

However, through discussions with senior officers and selected members, we identified that the relationship between members and officers has improved with the new administration. We note that decisions are now being taken based on the full range of evidence having regard to offer advise where appropriate.

On this basis we no longer consider this a significant weakness in governance arrangements.

We did note that during 2023/24 the members register of interests still does not include a separation of interests where members or officer controls a separate entity rather than a standard employment relationship existing. This recommendation had already been raised during the 2020/21 audit, and the Council is keeping the recommendation under review. We have kept this prior year improvement recommendation open, improvement recommendation 9 on page 50.

There have been several complaints across the year about the behaviour of members. Code of conduct complaints are reviewed at every Standards Committee meeting and are reviewed to ensure that decisions and outcomes are suitable.

The reporting works on a cumulative basis where all complaints on the year are reported and remain as an audit trail to show historic decisions.

From our review in 2023/24 we noted that three of the 21 complaints raised were upheld meaning that it was concluded that the member had broken the code of conduct. The remaining complaints are still pending.

Whilst our discussions with senior officers have documented a positive trajectory with the new administration, there is still evidence that member behaviour needs to improve.

Best Value Notice

As mentioned in the Financial Sustainability section, the Council was issued with a Best Value Notice in August 2023. The notice cited 4 main issues:

1. Member to member relationships and member to officer relationships
2. The robustness of the Medium Term Financial Plan
3. The governance and remit of BCP Future Places Ltd
4. The effectiveness of the officer leadership team

We addressed issue 2 in the Financial Sustainability section of the report. Issue 3 is addressed in the Improving Economy, Efficiency and Effectiveness section.

With regard to issue 1 and 4, the notice mentioned that member relationships had been poor for a number of years. Meetings were acrimonious and a high number of complaints referred to the Standards Committee. The leadership, it stated in the notice, needed development and support in order to act more effectively as a strategic and corporate leadership team.

In terms of member relations, we note that the Council is still experiencing challenges in terms of a high number of complaints but that the member relationships have improved significantly since the change in administration. Officers note that there was a decisive change in relations following the change in administration and the elections offered a 'clean slate' to build new relationships between officers and members. The Best Value Notice is likely primarily referring to the old administration. Nonetheless, officers have taken on board the recommendations of the Best Value Notice and this is reflected in the Action Plan.

Governance

The Best Value Notice stated that the Council's leadership team required strengthening. The leadership team needed development and support to act more effectively. There is evidence that the Council has progressed against this development point. In February 2024, the Chief Executive completed a review of the corporate structure and this was agreed by Council. Interim appointments have been made to vacant posts with permanent recruitment to the new structure underway for completion in September.

A Corporate Director of Wellbeing has been permanently recruited and has taken up her appointment. A Director of Planning and Destination has also been permanently recruited as a new started in December 2023. Recruitment to the Monitoring Officer has also been completed and the successful applicant started in December 2023. The Council has acknowledged the need to enhance the development offer for senior leaders with progress on relevant assessment tools to identify strengths, development of a shared leadership learning platform, identification of individual team skills requiring development, ongoing mentoring and coaching. This serves as evidence of the Council implementing the demands of the Best Value Notice.

The Best Value Notice will be reviewed in August 2024. MHCLG will therefore assess the Council's progress against the recommendations. The Council have currently self-assessed their progress as 93% completed in terms of the action plan. We will continue to monitor the organisation's progress in this area.

BCP FuturePlaces

BCP FuturePlaces was established in June 2021 with the aim of driving regeneration and economic growth in Bournemouth, Christchurch and Poole. In our most recent Annual Auditor Report we raised an improvement recommendations with regards to BCP FuturePlaces across financial sustainability and governance. From a governance perspective our improvement recommendation was for the Council to undertake a governance review of BCP FuturePlaces, with a specific focus on its role in delivering the Council's objectives, the balance of risk and reward between the two parties and the role of The Leader and Deputy Leader in the governance structure of the company.

In June 2023 the Council acted upon this recommendation and undertook a governance review of BCP FuturePlaces. This review concluded that Members were too involved in the day-to-day operational management and commissioning at BCP FuturePlaces, and that improvements needed to be made to ensure that the aims and objectives of both the Council and BCP FuturePlaces were aligned.

The review identified the need for an agreed statement of purpose, aims and objectives between both parties should be in place. It was also identified that there was also a lack of clarity and consistency around roles & responsibilities at BCP FuturePlaces, giving rise to frustration and the potential duplication of work.

Subsequent to this review a report was presented to Cabinet in September 2023, reviewing the future of BCP FuturePlaces. The report noted that the current economic environment has changed the mitigation of risks and how quickly projects could be capitalised. The report also identified that the operating model had become more difficult to manage with BCP FuturePlaces Ltd acting against the Shareholder Agreement and only release final reports to the Council on confirmation of payment of work. The report set out four options for consideration with regards to the future of BCP FuturePlaces and the Cabinet agreed on the closure of BCP FuturePlaces, and bringing in house development of the investment activities of the company.

By internalising and integrating the FuturePlaces function, the Council will be able to combine its current service teams (housing delivery, newbuild housing and acquisition and strategy team) with the legacy FuturePlaces employees. In recognition of the prior knowledge and skills in the FuturePlaces staff, an Investment and Development Advisory Board will be established oversee the remaining projects now under the Council's control with both independent and Council officer representation.

The Council have acted upon the improvement recommendations raised in our previous report and is currently in the process of bringing the functions of BCP FuturePlaces in-house. This addresses the historic concerns we have raised but we will continue to monitor the closure of BCP FuturePlaces and the bringing of these services in-house as part of our ongoing value for money work. We do not consider there to be any emerging concerns with regards to the Council's governance arrangements for BCP FuturePlaces.

The internalisation of BCP FuturePlaces also addresses the third issue highlighted in the Best Value Notice.

Governance

Corporate Strategy and the Big Plan

In our prior year report, we raised an improvement recommendation with regards to the alignment between "The Big Plan" and the Corporate Strategy established by the Council. Subsequently to this, the Council has developed a one single vision of key priorities and presented to Cabinet in May 2024 ("A shared vision for Bournemouth, Christchurch and Poole 2024-2029 strategy and delivery plan"). The updated strategy and delivery plan are aligned and represents a clear vision and mission for the Council. We have closed the prior year recommendation, as the new strategy and delivery plan aligns the prior "The Big Plan" alongside the Council's Corporate strategy.

The Transformation Plan

The Transformation Programme sets out the ambitious plans for creating a new, single, operating model which will help the Council achieve its strategic vision. From our discussions with senior officers, we note that there had been improved engagement and communication with Members with regards to the size, nature and risk associated with the programme. Furthermore, via an established governance process the members are aware of the process for asset disposals through Capital Briefing Boards, Corporate Property Groups and a Cross Party Strategic Asset Disposals Working group. Our review identified that during 2023/24 there had been improved reporting, monitoring and tracking of the transformation programme. There has also improved clarity around communication of the transformation programme to Members with the programme updates regularly appearing in Cabinet minutes.

Audit & Governance Committee

The Council's Audit and Governance Committee consisted of nine members during 2023/24. CIPFAs guidance Audit Committee Practical Guide for Local Authorities and Police recommends that authorities should strive to have no more than eight. There is no evidence from our review that having a committee of nine has been ineffective in respect to governance arrangements.

In our prior report, we raised an improvement recommendation that the Council should appoint two independent members, the Council subsequently appointed them in October 2023. We have no concerns with regards to the Council's governance arrangements in relation to the Audit & Governance Committee.

Capacity

Since the Council's inception there has been significant turnover in senior officers at the Council and we have noted this in our reports historically. In 2023/24 the Council has a well-established cohort of permanent senior officers.

From our work it was highlighted that across a number of directorates the Council is facing challenges with regards to recruitment. This issue is not unique to the Council with a nation-wide recruitment challenges in local government. The risk that the Council may fail to have in place suitable talent attraction, retention and succession planning is reflected in the Corporate Risk Register. We note that the finance team is currently undertaking a recruitment process due to emerging vacancies within the team. On this basis we have kept an improvement recommendation open with regards to the capacity of the finance team and over reliance on individuals.

Governance

Conclusion

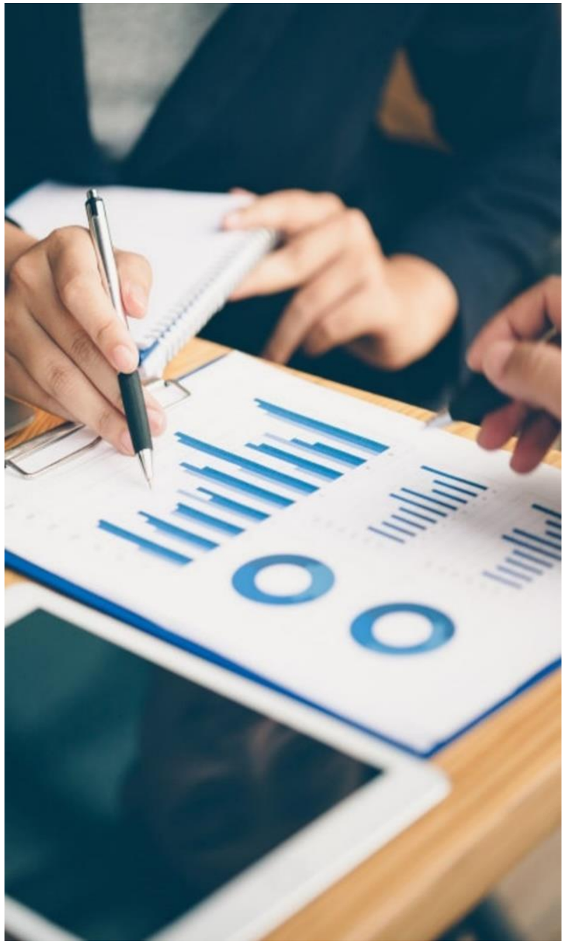
In the prior year, we identified a significant weakness and raised a key recommendation around the Council entering high-risk ambitious and challenging projects without proper or full consideration of governance arrangements. Since May 2023, the new administration has changed to approach to a more traditional and conventional one, avoiding high-risk or ambitious projects for transformation. In light of this, we consider this key recommendation resolved.

We do not consider the Council's governance arrangements for 2023/24 to be indicative of a significant weakness. The Council was issued with a Best Value Notice in August 2023 which mentioned two key governance issues relating to Member relationships and the development of the senior leadership team. Since the issuing of the notice, the Council has proactively pursued an action plan to address the recommendations made. There is evidence of significant progress, though this will be reviewed by MHCLG in August 2024.

The Council has appropriate risk management arrangements in place. There is an effective internal audit function in place to monitor and assess the operation of internal controls. The Council has made significant changes to its budget setting process to bring it in line with traditional and conventional approaches. This was in place for the 2023/24 and 2024/25 budget setting processes.

On this basis, we are able to conclude that the Council does now have effective arrangements in place to ensure effective governance.

We raise one improvement recommendation in 2023/24 in relation to risk reporting.



Improvement recommendations

Improvement Recommendation 02	The Council should consider as part of the corporate risk register the inclusion of documenting the key controls and sources of assurance.
Improvement opportunity identified	From reviewing the Council's corporate risk register, we noted that the Council could improve their risk reporting by documenting alongside each respective risk the Council could include the key controls to mitigate the risk and the source of assurance (where are they getting assurance from)
Summary findings	Whilst the Council's risk management process has been somewhat effective, we did note that throughout the risk registers whilst the matrix system is clear and easy to interpret. We feel that from a Member perspective, the inclusion of the key controls and the sources of assurance would give members further information about the risks the Council faces and the mitigations in place. Enabling them to challenge if required with more evidence to substantiate their challenge.
Criteria impacted	Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	The councils risk management process has been developed since May 2023 based on engagement with Members. Where practical the documentation will be enhanced to reference key controls and sources of assurance.

Improving economy, efficiency and effectiveness

We considered how the Council:

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

Performance management and areas for improvement

The Council has clear performance measures that compare outcomes against key performance indicators. Goals and objectives are used across the Council to understand and manage service delivery and identify emerging risks. The shared vision for Bournemouth, Christchurch and Poole represents the strategic objectives that the Council has set out to achieve and provides the framework for performance management.

We reviewed the 2023/24 corporate performance reports presented to Cabinet and, with the exception of Children's Services, the reports indicate that Council services are performing reasonably well. We do note that the performance indicators have a more traditional focus on services and minimal focus around regeneration.

From September 2024 the Council is planning to implement a centralised method of monitoring complaints. This is in response to a previous improvement recommendation we raised which remains open as there was no case wide management for complaints during 2023/24. We will continue to monitor the Council's progress in implementing these changes.

Service Performance: Children's

In our previous report, we raised a significant weakness in the Council's arrangements for securing value for money in relation to children's services. In December 2021, the local authority was judged 'inadequate' by Ofsted. As a result, the Secretary of State of Education issued a Statutory Direction in March 2022 and appointed a DfE Improvement Adviser to support the Council in their improvement of Children's Social Care Services. The Council had already been receiving external support from the Department for Education's improvement advisor following the original focused visit in October 2020, in which the report identified that there was serious and widespread weakness in the quality of children's service where many children referred to the service do not have their needs responded to fully, or in a timely manner.

Since December 2021, the Council has had six monitoring visits from Ofsted. We covered the outcomes of the first three monitoring visits in our last report.

The fourth monitoring visit happened in August 2023. The inspectors noted that significant progress had been made in establishing a plan for permanence for all children in care, there was evidence of purposeful leadership, the quality of social work was more consistent, and leaders now had the financial backing necessary to push forward with improvement. There was evidence of this improvement at Overview and Scrutiny Committee in September, where Members heard of the Quality Assurance Framework which had been developed. However, the Ofsted report noted permanence was yet to follow for just under half the children in care and too many still lived too far from BCP because of insufficient local choice. Social work remained predominantly reactive and this led to delays in the provision of service.

Improving economy, efficiency and effectiveness

In October 2023, children's services had a Department for Education Review to assess the progress being made. This review was conducted by the DfE Improvement Lead and the findings were presented to Overview and Scrutiny Committee.

In the fifth Ofsted report in December 2023, the inspectors noted that senior leaders at the Council knew the strengths and areas of development for the improvement plan. There is commitment to do better but not enough had been achieved since the last inspection. There was still a lack of alignment between the local authority and partner agencies and this was acting as a barrier to improvement. This was resulting in inconsistent improvement that was not necessarily matched to the children's needs.

The latest Ofsted inspection was in February 2024. The inspectors felt that senior leadership had a firm grip and understanding on the issues and a proper plan to improve. The quality assurance framework was described as very effective. There had been an increase in permanent staff which was having positive effects. The inspectors were complimentary of the Council's pace of improvement but noted that there was still more to do to ensure a cogent strategic approach to children most at risk.

The authority has been progressing with the Children's Services Improvement Plan since the December 2021 inspection. Overview and Scrutiny Committee receive regular updates on the Council's progress. The DfE Advisor also reviews the pace and progress of improvement at regular intervals to ensure it is sufficient and report on this to the Secretary of State.

During 2023/24, the Council was also in the midst of developing its Building Stronger Foundations (BSF) programme which aims to accelerate the required improvement's in children's services, achieve the recurrent savings necessary to safely manage the service and reduce the demand for statutory services. The Overview and Scrutiny Committee was presented a Business Case on the programme at the November 2023 meeting. The reported proposed a detailed business case for a new service delivery model for children's services to be implemented in October 2024. The transformation is expected to ensure the Council can meet its strategic and operational requirements and achieve financial efficiencies enabled by investment which was approved in July 2023.

In the 2023/24 budget, the Council demonstrated the financial commitment to the improvement journey by allocating £4.46m into the children's service to support the transformation programme.

The Council report quarterly on performance to Cabinet via the performance reports. The Brighter Futures priority relates to the Council's goals for children's. The performance reports echo the findings of Ofsted, demonstrating that the issues are known to the Council. There is evidence of mixed performance against the indicators. We can see from the Q1 report that the Council is not performing well under the indicator relating to distance of placements, this is also mentioned in the Ofsted reports. However, from the Q2 performance report, there is a positive direction of travel in the Safeguarding and Early Help indicator for Targeted Supported Assessments. The improvement is not consistent across indicators and demonstrates a mixed picture.

For the purposes of this review, we met with the DfE Improvement Adviser to ensure we understood the full picture of the Council's performance in children's social care. While the Ofsted inspections have shown mixed improvement, it is worth adding that the mix is improving. The DfE Improvement Adviser is optimistic about the Council's next Ofsted inspection later this year and believes that this should lead to a better rating than the previous 'Inadequate.' It is worth noting that this does not mean that the Council will leave intervention, but is the first step to the potential for intervention to end. The Council has also seen improvement in the national reporting indicators. The trajectory of improvement was initially slow but the Council has done very well in the last eighteen months, particularly in terms of leadership and staffing. However, due to the initial slow start, the Council are still carrying the effects of this time lag. It is worth commending the efforts of the Lead Member and the corporate centre in their appreciation of the improvement journey and responsiveness to the needs of children. This has been recognised by the DfE Improvement Advisor and is worth acknowledgement.

Overall, we continue to identify a significant weakness in arrangements for the Council's provision for children's services. However, we recognise the effort that the authority has directed towards the improvement plan and would like to commend the Council on its efforts. The significant weakness remains in place due to the level of intervention the Council is in and the mixed progress toward improvement.

Improving economy, efficiency and effectiveness

We are aware that the Council is currently under an intense level of scrutiny relating to its performance in children's and we are assured that the Council understand the areas for development and are in communication with Ofsted and the DfE regularly. We are assured that the Council are taking the necessary steps to improve. The next Ofsted inspection should be later this year so the results of that should give an indication of the Council's improvement journey.

SEND Services

BCP's SEND service was issued with a Written Statement of Action following the July 2021 inspection. In response, the Council developed the WSOA Improvement Plan. It included a number of workstreams and was overseen by the SEND Improvement Board chaired by the Local Government Association. Progress towards improvement and outcomes is monitored by the DfE through 3 monthly meetly monitoring meetings.

From September 2023, the DfE Advisor for Children's Social Care has also been supporting the SEND improvement work. He is now the Chair of the SEND Improvement Board. The Improvement Board monitors the Council's progress against the improvement programme and ensures delivery and has representation from across the partnership, including parent and carer representatives and schools. The improvement plan was co-produced with the parent carer organisation and schools and the Council continue to adapt and change to further improve the SEND service. The SEND inspection identified eight areas of significant weakness which need to be addressed. This resulted in a set of actions being put into the Written State of Action to address the weaknesses.

In September 2023, though the Council noted that improvement activity was underway, in the key area of statutory requirements, the service performance had decreased. This data put BCP as the fifth lowest performing authority in the country in terms of adhering to the statutory 20-week timescale for Education, Health and Care Needs Assessments and Plans. In September 2023, the Cabinet received a report from officers which recommended urgent investment in the SEND service on a short term basis to manage the backlog so that the service could meet its statutory duties. The Cabinet approved a £748k one off investment in the children's SEND service to manage the backlog funded from a specific earmarked reserve.

In November 2023, the Council noted that progress had been made in SEND but further was required and at pace. An Education Improvement Consultant had been engaged to support the Service Director for Education and Skills to accelerate improvement and ensure stability in the service. They were tasked with helping to finalise the Education Improvement Plan, coordinating the Education Improvement Board, supporting with creating a culture of accountability and performance across the function, supporting the work of school leaders and education providers and to provide advice on strategic and operational matters.

A review by NHS England and the DfE in July 2023 concluded that the Council's plan was not demonstrating the improvement or outcomes desired or at pace. In February 2024, BCP received a statutory direction in relation to SEND following a monitoring visit in July 2023. The document calls on all partners to work together at pace to improve services. The Council has created a new SEND Improvement Plan to ensure progress is made at pace and all partners in the SEND system are working together to ensure delivery. Progress had been made surrounding improved timeliness in the decision making process and requests for Education Psychology advice. A new DfE Improvement Adviser was appointed in April 2024, he is also currently the DfE Improvement Advisor in Children's Social Care. This will offer continuity across the whole of children's services.

It is worth noting that since the statutory direction, the Council has progressed its improvement plan and, particularly most recently, progress has accelerated. The DfE SEND Adviser reports a strengthened approach to the Improvement Board and the Council's ability to produce much better data based evidence for projections.

We consider the Council's performance in SEND to demonstrate a significant weakness in arrangements for 2023/24. We note that the Council is progressing with the improvement plan but it is clear from the action taken by the DfE, NHS England and Ofsted that the Council is failing to provide a minimum core service standard and therefore not securing value for money. We raise a key recommendation in this area.

Improving economy, efficiency and effectiveness

Data Quality

We considered how the Council gained assurance over the accuracy of the information reported to members. Our review identified the Council does not have an agreed and consistent approach. The Council does not have a data quality policy, although as part of the Transformation Plan delivery the Council has established a Data & Analytics Centre of expertise. The delivery of data quality is implemented at departmental level working level where data stewards review the data and ensure that its application and format (tabular or spatial, structured or unstructured) is suitable.

We still consider a data quality policy would be beneficial for the Council. It would set out an agreed approach to ensuring that the reliability and consistency of data quality is fully agreed across the Council. We have made an improvement recommendation on this.

Partnerships

The Council is unable to articulate clearly who their key partner are and how strategies align. Whilst the Annual Governance Statement documents the partnership arrangements, the Council is currently underway in reviewing all partnerships in line with the methodology used to review Council companies. We have kept the original improvement requirement open (improvement recommendation 12, page 52). We will continue to monitor the Council's review of all partnerships, and how it communicates the relationships.

Learning from others

The Council needs to ensure that it is documenting and following up the recommendations from any external review. A historic example of this was the Corporate Peer Challenge (CPC), a good example where the concept was embraced by the Council. But the return visit was delayed, reducing the impact of the outcomes. There is also evidence of the Council accepting and following up recommendations from other bodies. In 2023/24 we observed delivery against recommendations set out in the Best Value Notice and the CIPFA Resilience Review. The Council is willing to work with others and seek improvements.

Procurement and contract management

During 2023/24, the Council did not have an agreed or publicised procurement strategy. Although, the Council does have procurement and contract processes within the financial regulations.

The Council is aware of this and is looking to improve its commissioning and procurement functions as part of the transformation agenda. The Council is in the process of establishing a centre of excellence and introducing a centralised procurement approach. From our review, we are not aware of any evidence which would indicate that the Council has failed to operate a fair procurement processes in 2023/24 or any of its significant contracts.

The table below shows the Annual Breaches & approved Waivers of Financial Regulations Report 2023/24 details contract waivers:

	2023/24		2022/23		2021/22		2020/21	
	Breaches	Waivers	Breaches	Waivers	Breaches	Waivers	Breaches	Waivers
Total Count	7	35*	11	47	4	77	5	116
Total Value (£)	£15,417,745	£0.7m*	£1,172,738	£3.2m	£1,347,429	£6.3m	£870,561	£12.6m

*direct comparison to previous years cannot be made due to changes in waiver categories.

Source: Annual Breaches & approved waivers of Financial Regulations Report for 2022/23 and 2023/24 provided by internal audit.

When comparing 2023/24 to 2022/23 we note that the total number of breaches has decreased, however the total value of breaches has increased.

In 2023/24 the total breaches value has increased significantly compared to 2022/23, the largest breach of £10 million, was in relation to the Council's passenger transport service that was originally commissioned using a framework contract and extended for a year. Due to capacity issues, the contract specification and terms and conditions were not finalised in time. A new off-contract arrangement was established, the process was allowable under the Public Contract regulations 2015, however it did not follow the internal processes. A new contract has been subsequently put in place and no further breachers have occurred.

Improving economy, efficiency and effectiveness

There was a further breach of £5m identified in relation to commissioning of 23 homecare suppliers over and above the Council's agreed Homecare framework contract. A total of 45 suppliers were identified providing off framework homecare services. This amounted to 22 further suppliers than the agreed waiver number. It was agreed by senior management that no further commissioning of homecare services from any off contracts would occur which ceased non-compliance with the agreed procurement process.

Whilst the breach value has increased the overall total number of breaches (7 during 2023/24) has decreased when compared to 2022/23 (11 breaches). In reviewing the breaches list, we identified that the Council has sought to take corrective action, and has either ceased the original contract which caused the breach or established a new contract which is compliant with the internal procurement process.

We have kept an historic improvement recommendation open in this (improvement recommendation 13, page 51).

Conclusion

In the prior year, we identified a significant weakness which gave rise to a key recommendation around improvement economy, efficiency and effectiveness. The key recommendation was that the Council should address the weaknesses identified by Ofsted, and the Department for Education (DfE). We continue to identify a significant weakness in arrangements for the Council's provision for children's services. However, we recognise the effort that the authority has directed towards the improvement plan and would like to commend the Council on its efforts. The significant weakness remains in place due to the level of intervention the Council is in and the mixed progress toward improvement. The next Ofsted inspection should be later this year so the results of that should give an indication of the Council's improvement journey.

The Council received a statutory direction in February 2024 following a monitoring visit in July 2023 by the DfE. The monitoring visit identified the Council has not demonstrated the impact and outcomes at the desired pace. We consider the Council's performance in SEND to demonstrate a significant weakness in arrangements for 2023/24. We note that the Council is progressing with the improvement plan but it is clear from the action taken by the DfE, NHS England and Ofsted that the Council is failing to provide a minimum core service standard and therefore not securing value for money. On this basis we consider this a significant weakness in arrangements and have raised a key recommendation in this area.

We note in other areas the progress the Council is making to improving its arrangements for economy, efficiency and effectiveness. This has been demonstrated by the Council's undertaking of improving data quality. Gaining assurance over the accuracy and presentation of information in its decision making. We have been satisfied by the Council's performance management system, frequent reporting and clear actions and clear documentation of owners helps the Council understand how it is performing. The new procurement function is currently being established as part of the transformation investment programme, and we will continue to monitor progress against this. Furthermore, the Council is currently reviewing all partnership arrangements so it can clearly articulate who its key partners are.

Improvement recommendations

Improvement Recommendation 03	The Council should develop and successfully implement a policy for data stewards to ensure that the data processed across directorates is consistent and accurate.
Improvement opportunity identified	The Council must ensure that data stewards within departments adhere to a consistent data & formatting policy.
Summary findings	The Council is currently undergoing a review in respect of the transformation programme in establishing a Data & Analytics Centre of Expertise, they are currently developing a data quality policy to document the support of the use of consistent data. The Council is currently working with data stewards in departments across the Council to ensure consistency, we recommend a specific policy for those data stewards to ensure consistency throughout in addition to the wider data quality policy.
Criteria impacted	Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	The recommendation is noted, and this will be explored as part of our work with the Information Governance transformation work programme.

Follow up of previous recommendations 2021/22 & 2022/23

	Recommendation	Type of recommendation	Category	Date raised	Progress to date	Addressed?	Further action?
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.	Key Recommendation	Financial Sustainability	August 2023	Further to the action outlined in the management comment section, the 2024/25 budget completely rebased the transformation investment programme with only clearly identified savings underpinned by robust delivery plans included in the budget and MTFP. In addition the Quarterly Budget Monitoring report to Cabinet has been enhanced to include a tacker which monitors actual delivery against the approved and budgeted savings. The Councils Transformation Programme is fully financed with the principle source being via the Flexible Use of Capital Receipts based on an agreed pipeline of asset disposals. A specific document (Appendix 6 to the 2024/25 Budget report) provides details on the background and context to the Transformation Investment Programme, movements in its budget, details of actual performance against both costs and savings, and provides details of the funding framework.	Yes	No further action required. Key recommendation closed.

Follow-up of previous recommendations 2021/22 & 2022/23

	Recommendation	Type of recommendation	Category	Date raised	Progress to date	Addressed?	Further action?
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	Key Recommendation (SW2)	Financial Sustainability	August 2023	BCP Council delivered a balanced budget for 2024/25 and balanced MTFP to 31 March 2028 without any draw down on reserves . A major achievement in delivering this balanced position was that it also addressed the £30m annual structural deficit in the base budget (via use of reserves) inherited from 2023/24 and budgeted to increase the level of unearmarked reserves to £21.9m which amounts to a 43% increase from their 31 March 2022 positions and equates to 6.1% of the net revenue budget. The budget report and s25 statements of the s151 continue to reference the concern with the growing DSG deficit. The financial outturn report for 2023/24 set out that the steps taken to improve the financial health of the authority further which has enabled unearmarked reserves to be increased to £26.1m as at 31 March 2024 which is 7.3% of NRE.	No	Remains open.

Follow-up on previous recommendations 2021/22 & 2022/23

	Recommendation	Type of recommendation	Category	Date raised	Progress to date	Addressed?	Further action?
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.	Key Recommendation (SW3)	Governance	August 2023	Since the time of the last annual report the council has not considered any high risk ambitious or challenging projects. Governance arrangements would require independent external advice to be taken should in the unlikely circumstances such a proposal arises in the future. The Cabinet are focused on the traditional and conventional approaches to local government finance.	Yes	No further action required. Key recommendation closed.
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.	Key Recommendation (SW4)	3E's	August 2023	Improving Children's Services continues to top a key priority for the council. There is growing confidence via the Children's Services Improvement Board and the feedback from the DfE Improvement Advisor that good progress is being made. Additional evidence is in the form of the "SEND Progress Update re SEND Improvement Plan and Safety Valve" report to Cabinet on the 22 May 2024.	No	Key recommendation remains outstanding.

Follow-up on previous recommendations 2021/22 & 2022/23

	Recommendation	Type of recommendation	Category	Date raised	Progress to date	Addressed?	Further action?
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.	Significant Weakness (SW5)	3E's	August 2023	BCP Future Places Ltd was closed down by BCP Council further to "The future of BCP FuturePlaces Ltd, investment and development" report to Cabinet in September 2023. Additionally, Council in September 2023 confirmed the decision to reduce the council's debt threshold. The governance process for asset disposals includes the councils Capital Briefing Board, Corporate Property Group, Cross Party Strategic Asset Disposals Working Group, Cabinet and Council with the ability of the any disposal also to be considered by the Overview & Scrutiny Board. Progress on delivering the action plan in respect of the internal and external governance report was presented to 6 September 2023 Cabinet in a "Responding to the Best Value Notice" report. Governance of Council Owned Companies was considered by a "Shareholder Governance Review" report to Cabinet on the 10 January 2024.	Yes	No further action required.

Follow-up on previous recommendations 2021/22 & 2022/23

	Recommendation	Type of recommendation	Category	Date raised	Progress to date	Addressed?	Further action?
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.	Improvement Recommendation	Financial Sustainability	August 2023	In line with a recommendation of the External Governance Review the Council commissioned CIPFA to undertake a Financial Resilience Review. A final report from CIPFA was received in March 2024 and will be reported, along with an action plan, to Cabinet in July 2024 (via an MTFP Update report deferred from June due to the General Election). There were no critical risks identified that require immediate action by the Council just actions in line with the Council's general duty to improve.	Yes	No further action required.
7	The Council should re-evaluate the role of 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 Futures, and that the work commissioned by the Council is clearly defined and there is no change in scope and objectives unless agreed full by the Council and supported with a clear Business Case.	Improvement Recommendation	Financial Sustainability	August 2023	BCP Future Places Ltd was closed down by BCP Council further to "The future of BCP FuturePlaces Ltd, investment and development" report to Cabinet in September 2023.	Yes	No further action required
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.	Improvement Recommendation	Financial Sustainability	August 2023	Council in September 2023 agreed to the recommendation of Audit & Governance Committee to reduce the Councils debt threshold from £1.334bn to £755m.	Yes	No further action required

Follow-up on previous recommendations 2021/22 & 2022/23

	Recommendation	Type of recommendation	Category	Date raised	Progress to date	Addressed?	Further action?
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.	Improvement Recommendation	Financial Sustainability	August 2023	BCP Council agreed to participate in a Safety Valve conversation with representatives of DfE and their special advisors. Ultimately and agreement was not reached as the 15-year plan put forward by the council, which was deemed robust and realistic was outside DfE parameters that would have enabled an agreement to be reached. The councils Director of Finance wrote to MHCLG in May 2024 copying in DfE, CIPFA and the External Auditor looking for their advice and support in setting a legally balanced budget for 2025/26	No	This recommendation has been superseded by Key Recommendation 1 & 2 in this report
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	Improvement Recommendation	Governance	August 2023	Further to the outlined actions the cross party Transformation working group have met on the 5/10/23, 9/11/23, 11/1/24, 29/2/24, 5/5/24 and is scheduled to met on the 20/6/24 and every six weeks from September 2024 onwards. As previously referenced progress on all savings is included in the quarterly budget monitoring reports to Cabinet. A specific document reporting on the costs (be that one-off capital or one-off revenue or ongoing revenue) and the savings has been included in both the 2023/24 and 2024/25 budget reports, the 2022/23 financial outturn report (with a further update in the 2023/24 July 2024 financial outturn Cabinet report) as well as being reproduced for other Cabinet reports such as the "Transformation Programme Update" report to Cabinet on the 10 April 2024.	Yes	No further action required.

Follow-up on prior recommendations 2021/22 & 2022/23

	Recommendation	Type of recommendation	Category	Date raised	Progress to date	Addressed?	Further action?
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.	Improvement Recommendation	Governance	August 2023	Linked to recommendations in the Best Value Notice Action Plan covering an ongoing Member training programme and LGA mentoring. Most if not all Cabinet members have attended multiple LGA training and development courses related to their area of responsibility. In-house training has been strengthened and reporting of non-attendance at training is being developed. This will need to be monitored as needs evolve.	Yes	No further action required.
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.	Improvement Recommendation	Governance	August 2023	One single vision of the key priorities for the BCP Council area were presented to Cabinet in May 2024 via the "A shared vision for Bournemouth, Christchurch and Poole 2024-29 Strategy and Delivery Plan" report.	Yes	No further action required.
13	The Council should consider appointing one, ideally two co-opted appropriately qualified independent members to the audit and governance committee.	Improvement Recommendation	Governance	August 2023	Complete. Two independent Audit & Governance Committee members have served on the committee from October 2023 onwards.	Yes	No further action required.

Follow-up on prior recommendations 2021/22 & 2022/23

	Recommendation	Type of recommendation	Category	Date raised	Progress to date	Addressed?	Further action?
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.	Improvement Recommendation	Governance	August 2023	BCP Future Places Ltd was closed down by BCP Council further to "The future of BCP FuturePlaces Ltd, investment and development" report to Cabinet in September 2023.	Yes	No further action required.

Follow-up on prior recommendations 2021/22 & 2022/23

	Recommendation	Type of recommendation	Category	Date raised	Progress to date	Addressed ?	Further action?
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.	Improvement Recommendation	Governance	August 2023	Since June 2023 there has been a noticeable shift in emphasis within the Council, with officers being invited to contribute on specific issues in Cabinet and this needs to be extended to O&S committees. 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. There is also an ongoing programme of training for O&S. 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. There is also an ongoing programme of training for O&S. The Council has reviewed the arrangements for O&S and Council approved changes at the meeting held on 12 September 2023. The review introduced changes to remit, frequency and names of the committees. The same Council meeting received the O&S Annual Report which included a comprehensive action plan incorporating and aligned to this action plan.	Yes	No further action required.

Follow-up on prior recommendation 2021/22 & 2022/23

	Recommendation	Type of recommendation	Category	Date raised	Progress to date	Addressed ?	Further action?
16	The Council should ensure that the risk register reflects the realistic position on the transformation programme and the Councils Financial sustainability	Improvement Recommendation	Governance	August 2023	The Councils Corporate Risk Register is reviewed quarterly by the Audit & Governance Committee. It includes risks such as CR09 We may fail to maintain a safe and balanced budget for the delivery of services and managing the MTFP, and CR23 Potential implications of the Dedicated Schools Grant financial deficit. Council completely refreshed both its approach to risk and the risk register as part of the priority planning days in February 2024 in conjunction with Cabinet Members, Corporate Management Board and Service Directors. Audit & Governance Committee also helped with the format and presentation of the risk register.	Yes	No further action required.
17	The Council should develop a Council Wide case management system for complains	Improvement Recommendation	3E's	August 2023	A new system for the centralised monitoring of complaints across the council is being planned, with expected implementation for September 2024. This work is being accompanied by the development of a centralised team of complaints specialists who will develop oversight, quality and consistency in complaints response across the organisation.	In Progress	Improvement recommendation remains outstanding.

Follow-up on prior recommendations 2020/21

	Recommendation	Type of recommendation	Category	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	Improvement Recommendation	Financial Sustainability	September 2022	Council in February 2024 agreed not just a balanced budget for 2024/25 but a balanced Medium-Term financial plan to 31 March 2028. The June 2024 MTFP Update report to Cabinet (deferred to July because of the General Election) will present sensitivity analysis around the key assumptions and scenario plan for potential levels of additional savings the council will need to develop should there be any deviation from the original position.	Yes	No further action required.
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 inviably 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	Improvement Recommendation	Financial Sustainability	September 2022	Via the established governance process for asset disposals which includes the councils Capital Briefing Board, Corporate Property Group, Cross Party Strategic Asset Disposals Working Group, Cabinet and Council a maturing capital disposal process has been established underpinned by a pipeline of assets for disposal. This enabled the council to avoid the use of the capitalisation direction in 2022/23 (year available for) and to fully finance the transformation investment programme from capital receipts in 2023/24.	Yes	No further action required.

Follow-up on prior recommendations 2020/21

	Recommendation	Type of recommendation	Category	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	Improvement Recommendation	Governance	September 2022	The cross party Transformation working group have met on the 5/10/23, 9/11/23, 11/1/24, 29/2/24, 5/5/24 and is scheduled to met on the 20/6/24 and every six weeks from September 2024 onwards. As previously referenced progress on all savings is included in the quarterly budget monitoring reports to Cabinet. A specific document reporting on the costs (be that one-off capital or one-off revenue or ongoing revenue) and the savings has been included in both the 2023/24 and 2024/25 budget reports, the 2022/23 financial outturn report (with a further update in the 2023/24 July 2024 financial outturn Cabinet report) as well as being reproduced for other Cabinet reports such as the "Transformation Programme Update" report to Cabinet on the 10 April 2024.	Yes	No further action required.
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.	Improvement Recommendation	Governance	September 2022	Improving Children's Services continues to top a key priority for the council. This is growing confidence via the Children's Services Improvement Board and the feedback from the DfE Improvement Advisor that good progress is being made. Additional evidence is in the form of the "*SEND Progress Update re SEND Improvement Plan and Safety Valve*" report to Cabinet on the 22 May 2024.	No	Remains open.

Follow-up on prior recommendations 2020/21

	Recommendation	Type of recommendation	Category	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	Improvement Recommendation	Financial Sustainability	September 2022	From 2023/24 onwards the in-year budget monitoring reports, including the financial outturn, has included information on delivery against the savings assumed as part of the original budget. This good practice will be continued into future years.	Yes	No further action required.
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.	Improvement Recommendation	Governance	September 2022	Since the time of the last annual report the council has not considered any high risk ambitious or challenging projects. Governance arrangements would require independent external advice to be taken should in the unlikely circumstances such a proposal arise in the future. Council is now focused on the traditional and conventional approaches to local government finance. A completely refreshed approach to its risk register took as part of the priority planning days in February 2024 in conjunction with Cabinet Members, Corporate Management Board and Service Directors. Audit & Governance Committee also helped with the format and presentation of the risk register.	Yes	No further action required.

Follow-up on prior recommendations 2020/21

	Recommendation	Type of recommendation	Category	Date raised	Progress to date	Addressed ?	Further action?
7	The Council should consider aligning the risk reported in the risk register to the Council's Corporate Objectives	Improvement Recommendation.	Governance	September 2022	Via the priority plannings days in February 2024 the council revised and extended the documentation presented to Audit & Governance Committee associated with its risk register.	Yes	No further action required.
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 through 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 Recommendation.	Governance	September 2022	The Quality Assurance arrangements remain in place. Finance staff capability gaps are being established through regular one to one conversations and formal performance review processes with training and development plans and remedial actions put in place where necessary. However a significant number of senior staff in accountancy are due to leave the council by the end of July 2024 due to health, retirement, new job opportunities, or linked to performance. A recruitment drive is underway to fill these positions. However, it must be recognised that filling all these roles with suitably qualified and experienced staff will remain challenging and it is likely that development time will be needed for them to become fully effective in the roles	In progress	We will continue to monitor the capacity of the finance team.

Follow-up on prior recommendations 2020/21

	Recommendation	Type of recommendation	Category	Date raised	Progress to date	Addressed ?	Further action?
9	The Council should consider separating the category 1 members interests between those where member or officer controls the entity rather than where a standard employment relationship exists.	Improvement Recommendation	Governance	September 2022	This recommendation is being kept under review.	In progress	We will continue to monitor.
10	The Council should provide more timely corporate reports for Cabinet.	Improvement Recommendation	3E's	September 2022	The performance dashboard is in development and due to be presented as part of the Q1 quarterly performance report. It will be reviewed and developed regularly.	Yes	No further action required.
11	The Council should agree a data quality policy	Improvement Recommendation	3E's	September 2022	Data quality forms part of our transformation delivery in establishing our Data & Analytics Centre of Expertise. Delivery is implemented at departmental level working with data stewards to ensure we consider its application is appropriate to the type of data (tabular or spatial, structured or unstructured). The condition of data is understood and continuously improved, based on factors such as accuracy, completeness, consistency, reliability, relevance and timeliness. The condition of data is understood and continuously improved, based on factors such as accuracy, completeness, consistency, reliability, relevance and timeliness. Data & Analytics strategy documents reflect current data maturity within the authority and support the Council's data driven ambition. A data quality policy will be documented in support of this, as well as using key tools such as 'Semarchy' to drive the automation and quality of our data.	No	Superseded by improvement recommendation 4, page 35.

Follow-up on prior recommendations 2020/21

	Recommendation	Type of recommendation	Category	Date raised	Progress to date	Addressed ?	Further action?
12	The Council should strengthen its partnership arrangements. This should include: Defining partnerships Defining the importance including those which directly contribute objectives of the partnership Agree the monitoring and assessment arrangements including the role of members for each partnership, agree a consistent template for the partnership register and consider expanding the content with information detailed above.	Improvement Recommendation	3E's	September 2022	No action required as completed as part of last years update. However the Council is reviewing all partnerships in line with the methodogly used to review council companies - including governance, purpose, link to council strategic objectives etc.	In progress	We will continue to monitor this
13	The Council should develop and adopt a procurement strategy.	Improvement Recommendation	3E's	September 2022	The development of a Procurement Strategy has been delayed due to resource pressures and competing priorities, The recent departure of the Head of Strategic Procurement has further delayed the production of the strategy but is a priority for 2024/25, with an expected completion and presentation to Cabinet in Q3 of 2024/25.	In progress	We will continue to monitor this
14	The head of internal audit should not be part of the authorisation process for contract waivers	Improvement Recommendation	3E's	September 2022	The Head of Internal Audit was always an advisors never an approver. The process has been further been improved by deleting the concept of all waivers. Instead we only have a Procurement Decision record process.	Yes	No further action required.

Opinion on the financial statements

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

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

Our work on the Council's 2023/24 financial statements is in progress. We anticipate concluding our work by the end of October 2024.

Opinion on the financial statements

Timescale for the audit of the financial statements

2022/23

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts for 2022/23 had been signed by the September deadline.

In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report About time? in March 2023 which explored the reasons for delayed publication of audited local authority accounts.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

We have, subject to final guidance, agreed with the Council to backstop the 2022/23 opinion audit. Whilst the adoption of this guidance has been delayed due to the election, we continue to plan on the assumption that the backstop will happen.

2023/24

The Council's draft 2023/24 financial statements were produced by the challenging 30 May 2024 deadline. The proposed application of the backstop for 2022/23 has enabled a prompt start on the 2023/24 post-statements audit. We anticipate issuing a qualified disclaimer opinion following the Audit & Governance Committee on 27 February 2025.

Appendices

Appendix A: Responsibilities of the Council

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

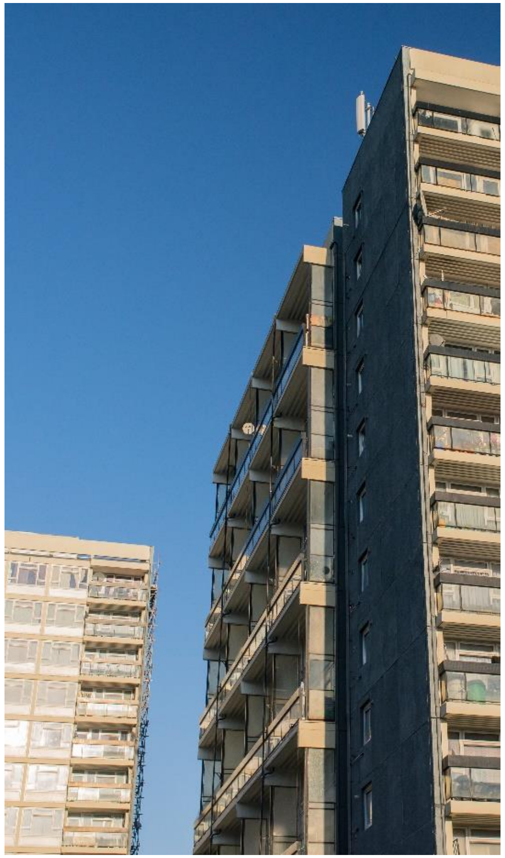
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B: An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council 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 the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	7-9
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	21,28-29,35,36-51

Appendix C – Sources of Evidence

Staff Involved

- Graham Farrant, Chief Executive
- Adam Richens, S151 Officers/Director of Finance
- Janie Berry, Director of Law and Governance
- Jillian Kay, Corporate Director for Wellbeing
- Cathi Hadley, Corporate Director for Children's
- Nigel Stannard, Head of Audit & Management assurance
- Cllr Mike Cox, Executive Portfolio Holder for Finance
- Cllr Marcus Andrews, Chair of Audit and Governance Committee

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by Council officers, Council Members and external stakeholders with whom we have engaged during the course of our review.

Documents Reviewed

- Corporate quarterly performance reports across 2023-24
- Shared vision for Bournemouth, Christchurch and Poole 2024-28
- Cabinet reports 2023-24
- Full Council reports 2023-24
- Audit Committee papers 2023-24
- Overview and Scrutiny papers 2023-24
- Children's Services Overview and Scrutiny Committee papers 2023-24
- Standards Committee 2023-24
- Draft Annual Governance Statement 2023-24
- Directorate plans
- Capital programme monitoring
- Statement of Accounts 2023-24
- P-Card procurements strategy document
- Corporate Risk Reports
- Members Code of Conduct
- Audit Services Annual Performance Report & Quarterly Monitoring
- Anti-Fraud and Corruption Strategy
- Waiver record
- BCP Governance Review
- Medium-Term Financial Plan
- Ofsted & CQC Report on Adults and Children's Directorates
- Best Value Notice
- Improvement Plans against Best Value Notice
- CIPFA Resilience Review & progress against it
- Risk management reporting
- Senior Leadership Team Structure
- Children and Young Peoples Plan Update Report
- Annual Overview and Scrutiny Report Packs
- Correspondence between the Council to MHCLG regarding the DSG Deficit
- Correspondence regarding the Safety Valve Programme
- Workforce Strategy
- Governance Review of BCP FuturePlaces
- FuturePlaces plans – in house timescale
- Transformation programme – asset disposal pipeline
- Transformation programme progress reports