

Auditor's Annual Report on South Gloucestershire Council

2021-22

January 2023



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We are required under s 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) in 2020 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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- A – The responsibilities of the Council
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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 Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources across three key themes:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

Our initial risk assessment identified potential significant risks under the Improving economy, efficiency and effectiveness theme, relating to Children's services and workforce and these were set out in our Audit Plan. We have summarised our assessment against the three themes overleaf. The overall results of our work are as follows:

Criteria	Initial Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified.	No significant weaknesses in arrangements identified, but improvement recommendations made.
Governance	No risks of significant weaknesses identified.	No significant weaknesses in arrangements identified, but improvement recommendations made.
Improving economy, efficiency and effectiveness	Risk of significant weakness identified in regard to Children's services and workforce.	No significant weaknesses in arrangements identified, but improvement recommendations made. Significant improvements have been made to address weaknesses in arrangements in Children's Services identified in the prior year 2020/21. An improvement recommendation has been made to complete the work being done to improve the service. We also reviewed the Council's arrangements to manage workforce challenges and found these to be adequate to mitigate against a significant weakness being present.

Executive summary



Financial sustainability

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. South Gloucestershire Council has historically performed well, with a record of stable financial and budgetary management in previous years. Despite the challenging environment in which it operated during 2021/22 the Council has maintained a healthy financial position. The next few years are expected to remain economically uncertain, particularly in regard to inflation and the demand for Adult and Children's Social Care. The future of government funding settlements over the medium term also remains unclear with an increasing emphasis on local taxation to fund budget pressures vulnerable to local economic conditions. The Council and its elected members will need to continue to closely monitor budget pressures and MTFP assumptions, and retain focus on savings development, to support the medium-term financial position and enable the retention of adequate reserves. Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Council in regard to the 2021/22 financial year. We have raised one improvement recommendation to continue to monitor the financial position of the council closely, given the volatile economic environment facing the UK public sector. Further details can be seen on pages 6-11 of this report.



Governance

The Council has appropriate arrangements for ensuring that it makes informed decisions and properly manages its risks. Our work this year has focussed on continuing to build our knowledge and understanding of the governance arrangements in place at the Council building on our work in the prior year. We have not identified any significant weaknesses in arrangements, but we have made one improvement recommendation for the Council to work with the West of England Combined Authority to improve relationships and to support WECA in its implementation of the governance recommendations made to WECA in the Governance Review published in December 2022.

Further details can be seen on pages 12-15 of this report.



Improving economy, efficiency and effectiveness

The Council has demonstrated that appropriate arrangements are in place to secure economy, efficiency and effectiveness in its use of resources. The Council continues to implement improvements in its Children's service. Significant progress is being made and we no longer consider it to be a significant weakness for the Council. We note that the Ofsted focused visit in September 2022 acknowledged the investments and progress made to date by the Council at resolving the issues while highlighting the areas yet to be addressed. We have made one recommendation to help the Council maintain the current high level of focus on improvement in regard to the Ofsted findings. We also note that workforce challenges in social care and other areas of Council service remain a high priority of the Council's agenda. Our work identified no further risk of significant weaknesses in arrangements but we have made two further improvement recommendations to highlight the need for the Council to continue to focus on workforce challenges and improvements in the Planning service.

Further details can be seen on pages 16-23 of this report.



Opinion on the financial statements

The audit of the Council's financial statements is in progress but is due to be completed by 31 January 2023. We plan to issue an unqualified audit opinion following the Audit & Accounts Committee meeting in January 2023. The accounts and associated working papers presented for audit were of a good standard.

Commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources

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

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

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the 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) 3, requires us to assess arrangements under three areas:



Financial Sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas, is set out on pages 6 to 23

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these 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.
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

2021/22 and ongoing financial pressures

South Gloucestershire maintained a good track record of stable financial and budgetary management in previous years and continued to do so in 2021/22. Despite the challenging environment in which it operated during 2021/22, total expenditure as reported in the outturn position to Cabinet in June 2021 was to deliver net service expenditure surplus of £2.32m on a net service budget of £251.4m. COVID-19 restrictions which had been in place since 23rd March 2020 continued in 2021/22 and the Council implemented a range of measures to support local business, partners and residents and used additional COVID-19 funding to support this.

Capital and Treasury Management

Investment against the Capital Budget in 2021/22 totalled £96.0m against an approved budget of £148.0m (2020/21: investment - £62.9m against an approved budget of £121.0m). Major capital expenditure included £20.0m flood management / ecology projects, £13.0m in highway maintenance and improvements, £8.0 m in contribution to Metrobus regional transport initiatives, £11.0m improvements to school buildings, £4.0m invested in preparing land for future housing developments, £4.0m invested on the former Thornbury Hospital site and £4.0m invested at Yate Park and Ride. The significant capital underspend is attributable to slippage on highways maintenance and improvement schemes, delays in constructing new primary schools and delays preparing regeneration sites for new houses. We note that the Council has recognised the level of slippage as an issue and had done significant work to review the capital programme for 2022/23 and the Q2 monitoring reports indicate that the capital budget is now performing in line with budget. The Council has put together a capital plan of £352m for the next 4 years to 2025/26 (average of £88m investment per annum). Funding sources for the Council's capital projects includes £73.0m grants from the Central Government, £21.0m in unsupported borrowings, £5.7m CIL and S106 reserves, £3.4m from revenue and £0.7m in capital receipts. Cash and cash equivalent balances increased from £12.5m at the start of the period to £42.6m due to receipt of the additional funding for COVID-19 grants and higher use of liquid accounts.

Financial Planning

The Council Plan clearly sets out corporate strategic priorities, which are referenced within the Council's financial planning. The Plan sets the Council's vision, its ambitions for the area and its priorities for addressing the challenges and opportunities it faces and was updated following the public consultation exercise and approved by the Council in February 2022 alongside the revised budget and medium-term financial plan.

When the 2022/23 budget was set in February 2022, the Council had put in place a balanced budget in each of the next 4 years. However, due to the deterioration in global and national economic conditions during 2022/23, the medium-term position has had to be revised. Future years' budgets are currently balanced for the next two financial years 2022/23 to 2023/24 after contributions from the Financial Risk Reserve whilst the savings programme is being delivered. The Council introduced a Resource Allocation Project during 2021/22 to support the savings scheme and 2022/23 is the first full year of operating the programme for the full year. Significant work has been undertaken by the Council to identify savings opportunities to balance the books, and the medium-term financial planning undertaken demonstrates a prudent approach, with a recognition that future funding levels remain uncertain.

The capital programme also supports the Council's corporate priorities. Its budget is mainly focused on highways maintenance and improvements, improvements to school buildings, developing regional transport links by bus and flood management and ecology projects. There was slippage in capital spending due to slippage on highways maintenance and improvement schemes, lower possession costs on the Metrobus regional transport initiative. The current Capital Programme includes £41.7m of investment in regeneration and place-shaping through the Property and Land Investment fund. During 2021/22 £7.8m of this was spent. The remaining £33.6m is to be carried forward into 2022/23. We are satisfied there is a clear linkage between the capital programme and Council's Medium Term Financial Plan.

Financial sustainability

Medium term financial planning

The Medium Term Financial Plan (MTFP) is updated annually as part of the draft budget. The MTFP development process incorporates sensitivity analysis and scenario modelling on key aspects of the MTFP, including income, expenditure and savings assumptions. A further review of these assumptions was undertaken early in 2021 to identify the future impact of COVID-19. At the start of the year the Council put in place a series of proposals which forecast a balanced budget for the next four years, however due to worsening economic conditions during 2022/23 this had to be revised. The current MTFP balances both 2023/24 and 2024/25 with further savings required to achieve balance in the years up to 2026/27.

The Council initiated a Resource Allocation Project (RAP) to re-prioritise resources and create a sustainable financial position from 2023/24 onwards with the help of a firm of specialists contracted to provide a framework within which to methodically prioritise and link resources to Council priorities whilst shifting away from annual incremental budgeting. Following the completion of this project in October 2021, the Council submitted the updated draft revenue budget & MTFP put forward to Cabinet in February 2022.

This reflected good financial management arrangements place in 2021/22 and should have placed the Council in a strong financial position, in particular the process of planning the budgets and savings for future years, reflected a sensible phasing of proposals to minimise the impact on services to residents. As such, we are satisfied the Council identified and managed risks to financial resilience and challenges the assumptions underlying its plans in regard to 2021/22.

The financial outlook 2022/23 and beyond

The latest Q1 Monitoring report for 2022/23 shows a forecast year end outturn deficit of £3.3m. This is caused primarily by the prevailing adverse conditions in both the UK and global economies, which we accept would have been difficult to predict with certainty in February 2022 when the budget was set. We note that pressures primarily in the People and Place directorates, and in regard to public sector pay awards has been offset by spending controls and mitigations delivered elsewhere and the use of planned financial resilience reserves, and a programme of further measures is being developed to further mitigate the pressures and reduce the consumption of reserves. In this regard, the Council has been able to rely on its arrangements for managing short term financial pressures.

A revised MTFP projection was taken to Cabinet in October 2022 that indicated substantially increased forecast deficits that will need to be addressed by a scaled-up programme of savings and service prioritisation. However, following the government funding settlement, a further MTFP revision taken to Cabinet in December 2022 reflected a more settled position. Through a combination of savings primarily delivered by the RAP and the planned use of reserves, a balanced budget is expected to be set for 2023/24 and 2024/25, with modest funding gaps of £2m and £3m respectively expected to be managed through to the end of the 4 year planning horizon ending 2026/27.

The measures announced so far in the Chancellor's Autumn Statement and the Settlement, including increased flexibility to charge Council tax, do not fully mitigate the financial risks set out in the revised MTFP but have eased the position projected in October 2022.

Savings plans

The Council is able to build on a historic track record of identifying and delivering savings since the 2010 Spending Review. However, this has been significantly interrupted by the challenges of the COVID-19 pandemic in both 2020/21 and 2021/22. It has well established arrangements in place to monitor the delivery of planned savings, and mitigating actions where required, on a quarterly basis. These are reported to the Strategic Leadership Team (SLT) and to Cabinet.

The Council had £7.8m of savings included within the 2021/22 budget. However, as a result of COVID-19, not all of these savings were achieved, as set out in the table below. The 2022/23 savings target is £7.4m with £0.6m of contingency built into the budget a further £3.4m savings targets brought forward from 2021/22. As at Quarter 1 the programme has achieved £2.8m of recurrent savings and a further £2.9m short term, with £5m is outstanding.

Status of savings (£'000) following 2021/22 review

	£000	%	Comment
Target saving	7,761	100%	Overall savings target of the Council for 2021/22: £5,542k plus £2,219k brought forward.
Savings achieved permanently	4,270	55%	Savings achieved recurrently (not through temporary measures such as holding on to vacancies).
Savings achieved temporarily	3,174	41%	Savings that are non-recurring in nature achieved through short term schemes such as staff vacancies. 2021/22 includes £2.65m short-term savings from waste targets while the Council seeks permanent savings solution as part of the waste PFI transition.
Not achieved	317	4%	Not achieved due to the impact of COVID-19 and timing delay and is expected to be achieved in 2022/23.

Financial sustainability

Adoption of the Resource Allocation Programme (RAP) Approach

In April 2022, the Council adopted a new approach to developing savings plans over the longer term, based on consideration of how resources could be better allocated in line with Council Plan priorities. The idea is to provide deliverable savings with increased focus around doing things differently to improve outcomes and delivering savings through efficiencies where possible. A key feature of the approach is that it enables the Council to develop savings over the full 4 year medium term planning horizon. The new approach was used primarily to set the budget and savings plans from 2023/24 onwards, with the 2022/23 savings primarily developed under the previous process.

The principal achievement of the RAP has been to enable the Council to generate efficiencies from proposals put forward by the services, without setting top-down corporate savings targets. Enough schemes had come forward by February 2022 to enable the budget to be balanced for four years from 2022/23 to 2025/26, through budget efficiencies and new ways of working, without resorting to short term measures or major service cuts. The process allows sufficient time to develop robust transformation plans and manage the workforce effectively.

The approach and corresponding budgetary changes were included in the Draft budget in October 2021 and were accepted into the final budget and MTFP in February 2022. The total 4 year savings delivered by the RAP under the various programme categories as at February 22 was £18.3m.

Key highlights under the Key RAP categories included:

- Recovering Costs from 3rd parties £0.462m - with £0.367m coming from accessing new government funding for Domestic Violence
- Different Ways of Working £4.5m - including, use of assistive technology to promote independence in ASC (£0.9m), Improved ASC Reablement Model (£0.4m), Community Based Support Model in ASC (£0.7m). We note that £1.4m was a cross cutting benefit from measures to improve retention of staff through improved wellbeing and recruitment support, reducing agency spend. This was from introducing a standardised staff turnover target which was top sliced to invest in improved wellbeing support and reflected actual staff turnover. This saving has not been fully delivered due to increasingly demanding workforce market challenges.
- Fees and charges £0.827m - Improving ability to enforce Traffic Regulation Orders through better signage and enforcement equipment (£0.51m).
- New Technology and Automation £0.239m - a number of small benefits in 2022/23 but rising in terms of contribution to significant levels by 2025/26 as new technology is purchased and embedded.

As previously noted, the financial landscape for the global economy, the UK and local government changed significantly in 2022/23 with the invasion of Ukraine and higher than projected increases in inflation, impacting on public sector pay and the cost of supplies and services. The RAP process has put the Council in a stronger position than it may otherwise have been to manage the additional financial pressures that arose from this during 2022/23. The Council has been able to develop sufficient savings to enable a 2 year balanced budget to be set in 2023/24 and 2024/25 with relatively low levels of further savings required in the remaining 2 years of the revised MTFP planning horizon. We will continue to monitor progress on the Council's work to establish financial sustainability in the medium term.

Financial sustainability

Managing risks to financial resilience

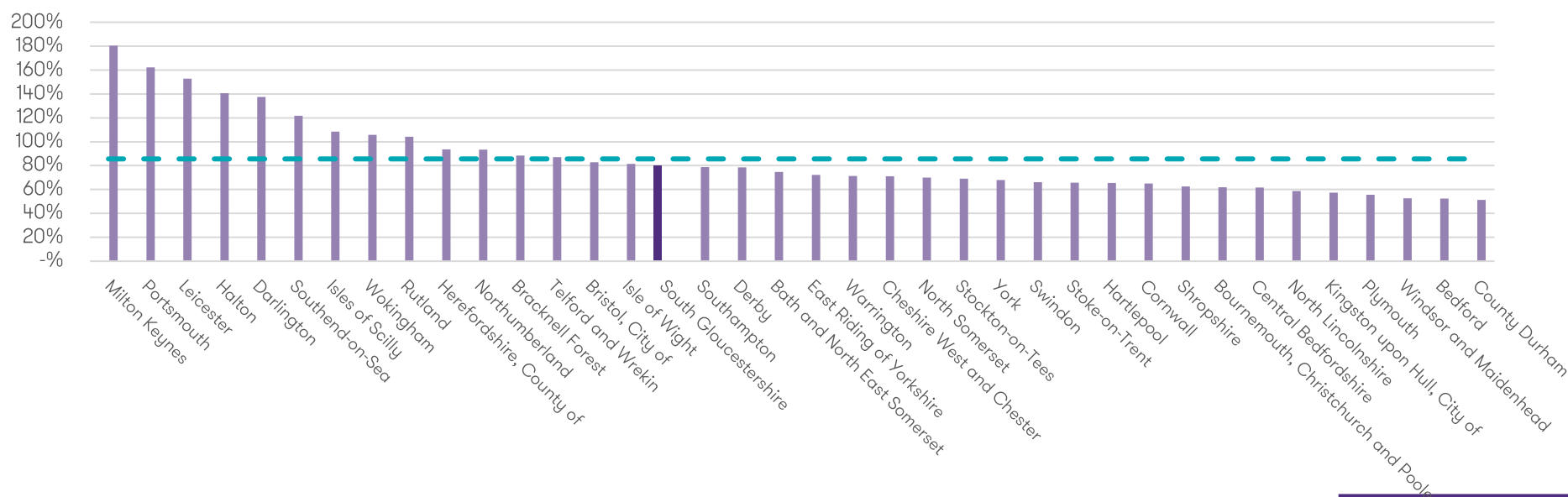
The Council's reserves position as a proportion of the net cost of services is marginally below the average, although not an outlier, compared to other similar Councils with total usable General Fund and Earmarked Reserves of £181.14m (2020/21; £200.6m). The movement takes into account the use of COVID-19 funding set aside in reserves and consumed during the year. This gives the Council some flexibility in managing unexpected variances, but this is limited, and the Council will therefore need to carefully monitor delivery to budget, and the successful delivery of savings plans over the medium term.

The Council has incorporated resilience into its planning and regularly reviews the MFTS. This is done through scenario planning and by building resilience into contracts with service providers through basing 30% of the contract value on RPI (inflation based) and 70% of the contract value is subject to labour/wage driven increment. The Council also uses external consultancy to review implications of annual settlements of budget and impact on budgetary assumptions and takes necessary actions towards achieving balanced budgets annually.

In the current financial year, identified budget challenges are being managed by planned savings and some short-term pressures funded from reserves.

Generally, we find the Council to be well managed and there is a high level of understanding of its budgetary position, budgetary pressures and any savings required. There is an established process by which the budget is reviewed regularly, and issues are reported on a timely basis to those charged with governance.

Reserves as a proportion of Net cost of services (%)



Data was inputted manually onto a spreadsheet and some data was yet to be audited as of the time of the data collection. Data source: unaudited local auditor accounts.

Financial sustainability

SEND and Deficit reduction Plan

At the end of 2021/22, the Dedicated Schools Grant (DSG) deficit stood at £21.1m (2020/21: £23.9m). This is driven by pressures in the high Special Education Needs (SEN) budget. Whilst DSG deficit positions can be carried forward against the grant for future years, the Council is required to have a multi-year deficit recovery plan in place. This does present a potential future risk in terms of financial stability. The Council in March 2022 signed the safety valve agreement with DfE to achieve breakeven by 2022/23 and eliminate the deficit over 6 years. The agreement reached will see the DfE inject an additional £25.0m of funding to the Council over 6 years starting with an initial £10.5m which the Council received in March 2022 and to be followed by £3.0m each year in 2022/23 to 2025/26 and a final £2.5m in 2026/27. In return, the Council will implement the agreed DSG management plan set out in the agreement aimed at improving the management of SEN and eliminate the DSG deficit by 2024/25 and in each subsequent year afterwards. Since the first payment in March 2022, the Council has sent two quarterly updates to DfE as part of the monitoring process and both updates were signed-off by the DfE and have resulted in two further payments of £1.0 million each to the Council (total of £2.0m). This is a good indication that progress against the plan is being made however, continued effort and focus will be required in the short to medium term in order to meet the requirements of the plan. We note that two risks relating to DfE and SEN budgets are being monitored though the Council's Organisational Risk Register. The Council commenced the implementation of the Safety Valve measures agreed with the Department for Education in March 2022.

We note that the forecast financial pressures faced by the Council from 2023/24 onwards could also have a bearing on the Council's ability to deliver deficit reduction and we will continue to monitor progress.

Budgets held jointly with partners

The Council is part of a business rates (NNDR) pooling arrangement within the West of England Combined Authority (WECA) devolution deal. Performance is monitored through a 'Pooling Board' made up of all relevant Section 151 Officers and Unitary Authority technical officers and updates are reported to the WECA Overview and Scrutiny Committee. The annual report on pool performance for 2021/22 reflected challenges in the year due to the COVID-19 pandemic, but with an improving outlook. Performance against the West of England Business Rates City Deal pooling is monitored through a 'Pooling Board' made up of all relevant Section 151 Officers and Unitary Authority technical officers with annual updates reported to the WECA Overview and Scrutiny Committee. The overall performance of the West of England business pooling remained positive with sufficient growth forecast above baseline.

The additional resources available due to the pooling of NNDR are held in a pooled investment fund (the Economic Development Fund). As a member of the West of England Joint Committee, South Gloucestershire has access to funding for specified projects through this Fund. The financial risk of non-delivery is shared between the bidding Council and the members of the pooling arrangement.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of significant weaknesses. We have identified one additional opportunity for improvement set out below.

The next few years are expected to remain economically uncertain, particularly in regard to inflation and the demand for Adult and Children's Social Care. The future of government funding settlements over the medium term also remains unclear with an increasing emphasis on local taxation to fund budget pressures vulnerable to local economic conditions. The Council and its elected members will need to continue to closely monitor budget pressures and MTFP assumptions, and retain focus on savings development, to support the medium-term financial position and enable the retention of adequate reserves. We have made a recommendation to highlight this.

Improvement recommendation 1

Financial Sustainability

Recommendation	The Council and its elected members will need to continue to closely monitor budget pressures and MTFP assumptions, and retain focus on savings development, to support the medium-term financial position and enable the retention of adequate reserves.
Why/impact	Failure to manage financial uncertainty in the medium term and react effectively to changing economic conditions, could undermine financial resilience.
Auditor judgement	Improvement Recommendation
Summary findings	The next few years are expected to remain economically uncertain, particularly in regard to inflation and the demand for Adult and Children's Social Care. The future of government funding settlements over the medium term also remains unclear with an increasing emphasis on local taxation to fund budget pressures vulnerable to local economic conditions.
Management comment	This recommendation is supported and current internal and external financial monitoring, forecasting and reporting processes support delivery.



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

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 effectiveness processes and systems are in place to ensure budgetary control.
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.
- monitors and ensures appropriate standards.

Monitoring and assessing risk

The Council has an appropriate risk management framework. Its constitution references a Risk Management Policy, and the 2021/22 Annual Governance Statement and the Internal Audit Services Annual Assurance Report 2021/22 describes some of the approach to risk management. The Council's risk management framework includes an annual risk assessment process. This is done through the Organisational Risk Register (ORR) – formerly known as the Strategic Risk Register (SRR), which is an integral part of the Council's framework of risk management, reviewed by the Strategic Leadership Team and presented to the Cabinet annually. Each department maintains a risk register which includes risks, controls, risk owner and date to review progress of the mitigation controls.

The ORR weighs the risks. The weighting was revised from a 3 by 3 to a 5 by 5 matrix of impact of the risk and the likelihood of occurrence. The RAG rating scores each risk based on impact and likelihood into Low, Medium and High Risk. The ORR also sets out the triggers for each risk and consequence for each risk. The mitigating actions/opportunities already in place, further actions required to be taken by a designated responsible officers and a target date to review the risk by both Strategic Leadership Team and Cabinet are included in the ORR. The Internal Audit function leads on the Council's risk reporting by escalating risks identified (and scored at over 15) at Directorate Management Teams and ensuring that risks deemed to be significant to the Council's monitoring environment are reported through to Cabinet and Strategic Leadership Team through the ORR.

Internal audit

The Internal Audit function covers Internal Audit Services and Health and Safety. The Internal Audit function is an established team including the Audit Manager. The Audit Manager and one of the Assistant Audit Managers are Chartered Accountants. The second Assistant Manager and one of the Senior Audit Officers are members of the Institute of Internal Auditors while the remaining members are working towards qualification. We are satisfied that the Internal Audit team are suitably qualified.

Internal Audit services for public sector bodies are monitored by the Public Sector Internal Audit Standards (PSIAS). PSIAS are required to conduct assessment of Internal Audit services at least once in every five years and rate the service as 'conformance', 'partial conformance' or 'non-conformance' to the requirements of the PSIAS standards. The PSIAS final report on the last external assessment at the Council was dated the 14th May 2022 and concluded that "South Gloucestershire Council's Internal Audit Service fully conforms to the requirements of the PSIAS".

Our assessment identified that Internal Audit coverage across Council services is good. In 2020/21 our VfM assessment noted that the Council was behind in implementing Internal Audit recommendations and Internal Audit was also behind in following up on recommendations. The implementation and follow up of audit recommendations is now catching up and we are satisfied that good progress is being made.

The 2021-22 Internal Audit plan was presented to the Audit and Accounts Committee on 27th July 2021 and includes 760 days of planned audit services (including 60 days contingency), an increase over the 650 audit days (including 50 days contingency) in the 2020-21 plan. The Annual Assurance report was presented to the Audit and Accounts Committee on 28th June 2022 with an overall Internal Audit opinion of 'reasonable assurance'. The report showed that 44 reviews were completed during the period with follow ups on 17 of them prioritised for completion during 2022/23. Follow up of 45 audits from previous periods were completed during the period.

There is a good suite of policies in place, covering anti-fraud and corruption, and the Council has an established anti-fraud culture which includes 'whistle-blowing policy' and participation in the data matching exercise managed under the National Fraud Initiatives coordinated nationally by the Cabinet Office.

Governance

Budget setting process

The budget-setting process is multi-layered and involves the Finance staff and responsible officers for the budget area. The draft budget is then presented to Cabinet for review in October, with additional papers presented to Cabinet to approve the budget in February. We note that for the 2023/24 budget an additional paper was presented to Cabinet in December 2022, to help manage the unusual economic pressures that had arisen during the year. There is also a quarterly review of budget to outturn position by Cabinet enabling members to closely monitor budget performance in year. The updated MTFP is summarised in the budget report and set out in detail in the appendix to the Cabinet report. This reflects a good level of member scrutiny which, together with the Council's track record of delivering planned savings and a balanced budget confirm the strength and validity of the budget setting processes in place.

Budgetary control

There are good systems in place for oversight of the budget. The Finance department engages at least quarterly with budget holders and monthly for higher risk areas such as social care. As well as quarterly budget monitor reports to cabinet, budget holders are supported by the finance team who provide technical financial skills and experience. The Budgetary control systems and processes at South Gloucestershire are operating effectively. Oversight occurs on a number of levels from the finance team, Strategic Leadership Team and Cabinet. There is an annual timetable which includes various budgetary monitoring and control activities and involves service departments, finance department and review at the Cabinet Meetings. There is also clarity around statutory responsibility and process in place align well with statutory reporting requirements.

Leadership and committee effectiveness/decision making

The Council operates a Leader and Cabinet form of executive arrangements. There is a scrutiny commission which monitors in year performance and budgets. The Council's Scrutiny Commission conducts in-depth reviews of issues through informal focused task groups, calls-in decisions and monitors in-year performance and budget. There were no call-in decisions in 2020/21 and our review of the status report of the Standing Groups (and Task & Finish Groups) plan dated 27 April 2022 shows the report included an appropriate mix of items including the Waste PFI contract ending in 2025 and the issues relating to Ofsted inspection. The Enhanced Performance Board continues to ensure that improvement in Children's services remains a key area of focus for the Strategic Leadership Team. During the year, a new Director of Public Health was appointed, having served as deputy to the role for the previous six years. We are satisfied that an effective Strategic Leadership Team is in place.

Leadership and committee effectiveness/decision making (continued)

The Audit and Accounts Committee is responsible for Council's arrangements for approving the Annual Accounts and compliance with statutory guidance. The Committee operates effectively. The work of the Council's committees is governed by the Constitution which is regularly reviewed and updated and is openly available on the Council's website. The Annual Governance Statement (AGS) is prepared in line with the Council's Constitution, which sets out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people.

Management information systems

The Council's use of management information systems is not uniform across different services and corporate reporting is compiled from a range of information sources. Reports for committee meetings are disseminated electronically and published on the Council's website and can be downloaded by the public. The Council's website is a good source of information and interaction with the residents and stakeholders and contains a good array of information about the Council.

Finance IT systems are acknowledged by the Council as antiquated and in need of upgrading, and we note that a replacement programme is underway. Likewise, Children's Services have identified a need to improve on MIS in order to improve effectiveness in decision making process.

Monitoring and ensuring appropriate standards

The annual governance statement is compliant with the CIPFA code. An appropriate level of care is taken to ensure the Council's policies and procedures comply with all relevant codes and legislative frameworks. The work of the Standards Sub-Committee has been reported to the Regulatory Committee. In September 2022 the Complaints for the 2021/22 trend were reviewed. This showed that there were 11 complaints during the financial year but only 2 of these related to a district Councillor, the rest were for parish or town councillors. We have reviewed the underlying details and are satisfied that these do not pose a value for money risk for the purposes of this review.

Governance

Partnership Governance – WECA

The Council is a voting member of the West of England Combined Authority (WECA). WECA delivers a number of services, including transport, on a regional basis and is also a means by which devolved government funding is obtained and distributed among the constituent councils for infrastructure and other development projects. The governance of WECA is overseen by the West of England Combined Authority Committee, which comprises the leaders of the member authorities (South Gloucestershire, Bristol and Bath and North East Somerset Council) and is chaired by the directly elected West of England Combined Authority Mayor.

The Mayor and Chief Executive of the West of England Combined Authority, and the Leaders and Chief Executives of the three constituent unitary councils, have acknowledged that the relationships between members of the Combined Authority are currently strained. This is partly attributable to inherent tensions between the West of England Mayor's mandate to create and deliver a regional strategy and the desire of individual authorities to retain and protect their own political and strategic areas or remits. The dynamic is further complicated by local circumstances, that include the existence in parallel of a separately constituted Joint Committee that includes North Somerset Council as an additional member but outside of the Combined Authority; the co-existence of the West of England Mayor and the Bristol City Mayor over part of the same footprint, and; the constitutional requirement for significant elements of Combined Authority business to require unanimous voting, which effectively allows any member to veto a decision.

It is in this context that we note the external auditor has issued a critical report on the governance of WECA that identifies five significant weaknesses in governance and includes three statutory recommendations. This relates to events that took place during the financial year 2021/22. Two of the statutory recommendations place an obligation on the members of WECA to work together to improve working relationships and the level of engagement on key decisions.

The two statutory recommendations that directly impact on South Gloucestershire Council are as follows:

- The Mayor and members of the Combined Authority represented by the Council Leaders, must commit to improving their working relationship and demonstrate that significant progress has been made within a reasonable timeframe to be determined by the Mayor and Combined Authority. This should include a role for independent mediation and the constructive consideration of advice arising from this process (SR1).

- A formal protocol should be agreed between member organisations within the Combined Authority to commit to consultation on key proposals, that they should define, at an earlier stage. Combined Authority members should engage effectively in this process, to help mitigate points of contention before they are published and debated in public. This should include a commitment to deliver proposals on a reasonable timetable (SR2).

A constructive and collaborative working relationship between partners is fundamental to the ability to continue to reach consensus, approve the use of devolved funding and attract funding and deliver value to the region, in addition to the ongoing delivery of key regional services including local bus services. The report recognises that the day-to-day business of the Combined Authority in regard to its budget and financial allocations to projects has continued effectively in 2021 and to date in 2022. In addition, we note that significant new funding has been brought into the region and been allocated to approved projects, including those impacting on individual unitary authorities via the Investment Fund. This provides assurance that the Combined Authority has not become dysfunctional and has continued to deliver benefit to residents in the region.

However, the WECA external auditor expresses concern that the ongoing poor state of relationships could limit the ability of all parties to work together to optimise strategic opportunities in future. External perceptions of disfunction could also affect the reputation of the Combined Authority with central government and other partners., ultimately affecting the ability to raise further funding and undermining public confidence.

While we recognise that the onus is on WECA, as a separate statutory body, there is a key role for South Gloucestershire Council to work with the WECA management team to ensure that all the required improvements are made.

Conclusion

Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have made one recommendation, set out overleaf.

Improvement recommendation 2



Governance

Recommendation	The Council should work closely with WECA to support (within its remit) the implementation of the required improvements to the governance of WECA (as set out in the governance report).
Why/impact	A constructive and collaborative working relationship between partners is fundamental to the ability to continue to reach consensus, approve the use of devolved funding and attract funding and deliver value to the region, in addition to the ongoing delivery of key regional services including local bus services.
Auditor judgement	This is not a significant weakness from the perspective of South Gloucestershire Council, but the Council has a key role to play in ensuring that the required improvement to this key partnership are made.
Summary findings	<p>The Council is a voting member of the West of England Combined Authority (WECA). WECA delivers a number of services, including transport, on a regional basis and is also a means by which devolved government funding is obtained and distributed among the constituent councils for infrastructure and other development projects. The governance of WECA is overseen by the West of England Combined Authority Committee, which comprises the leaders of the member authorities (South Gloucestershire, Bristol and Bath and North East Somerset Council and is chaired by the directly elected West of England Combined Authority Mayor.</p> <p>We note the external auditor has issued a critical report on the governance of WECA that identifies five significant weaknesses in governance and includes three statutory recommendations. This relates to events that took place during the financial year 2021/22. Two of the statutory recommendations indicate that the members of WECA should work together to improve working relationships and increase the level of engagement on key decisions.</p>
Management comment	In its capacity as a member of WECA, the council is committed to support the improvements needed, and the recommendations made by WECA's external auditor regarding the required improvements to the Combined Authority's governance.

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

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, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve.
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance review, monitoring and assessment

The Council set out its corporate priorities in a 4 year integrated Council Plan in October 2020 and reported progress in its annual report outcomes in July 2021. The Council Plan does not have any financial implications in itself, but it serves as the main framework document for driving the Council's strategic planning processes and provides a key reference document for reset, delivery and service plans that are in place to support the plan and these are updated annually to feed into the budget, MTFP and capital planning process.

The Council Plan, is based on overarching goal of 'achieving the best for residents and their communities' and informs the Council's corporate objectives. In 2020, the Council developed twenty (20) 'Action Plan Commitments' to assess progress towards these objectives. Each action plan commitment has a set of performance indicators and is managed jointly by a member and a lead officer. Progress is monitored by the Cabinet twice every year in a high level summary report, this is narrative based and provides a high level overview alongside a more detailed appendix. The reports submitted to the Scrutiny Commission include further detail and combine approximately 100 KPIs used to assess the Council's performance against targets and trends and plans to improve areas of underperformance(s). Highlights of performance against the four Council Plan Priorities are as follows:

- Priority 1 - Indicates that some of the indicators relating to the SEND service remain 'red' in terms of achievement (e.g. Special School attainment as measured by Ofsted ratings). However we note that a number of indicators are rated green in regard to Children's education and attainment more generally (e.g. Primary School attainment). Other Priority 1 areas that remain flagged as red, include Commitment 3 (Child Poverty) and Longer Term measures of happiness in younger people under Commitment 4, and issues with the provision of care placements and support workers under Commitment 6.
- Priority 2 - The Council is performing well against most indicators, although there are some red flags around Commitment 10 and Community participation and under Commitment 11, where residents feeling safe was an area of concern. Since the last update, the first co-produced service, for Welfare, Benefits and Debt Advice was launched. Training for frontline workers to improve their awareness of prevention and population health is being developed, the rollout of this will include a refresh and relaunch of making every contact count (MECC) training in 2022-23.
- Priority 3 - The Council is performing well against most indicators. This includes KPIs relating to the waste collection service rated green, although there were some areas flagged as amber around service delivery in street scene and road repairs, and a small number of reds. Most of cleanliness indicators showed improved standards and satisfaction with services. Moving from year 2 to year 3 of the Climate Emergency Action Plan has seen the development and delivery of new projects which start to align more clearly with the strategic nature of the declaration of a Climate Emergency in 2019.
- Priority 4 - Generally positive performance. There were some red flags under Commitment 17 under perceptions of the Council delivering value for money and keeping people informed. There were some red flags around sickness absence of staff deteriorating in the winter for 2021/22 (Commitment 19), but this was somewhat affected by COVID-19.

The Council Plan includes two further underlying themes: Addressing the Climate Emergency and Closing the Inequality Gap. Progress in these areas is a fundamental part of all four of the priority areas outlined above and we note that progress is being made against these commitments.

Improving economy, efficiency and effectiveness

Feedback from Residents

We note that feedback from consultation with residents and businesses from questionnaires and surveys, a Citizens' Panel and social media feedback show that year on year, there has been a marginal decline in the level of satisfaction with the Council's performance. The Council should make sure that it responds promptly to these concerns in terms of Council priorities and the financial context in which services are operating.

- 53% of respondents were happy with the way the Council runs things (compared to 59% in 20/21), whilst 45% agreed that the Council can be relied upon to consistently deliver services.
- Service satisfaction was lowest for the planning service (18%).

Benchmarking

The Council uses benchmarking to understand their performance in relation to other organisations, regional or national indicators and this has been used to develop the Council Plan KPI suite as well as being used to inform decisions within business cases.

We have also completed our benchmarking using the GT CFOi platform, which makes use of the annual Revenue Outturn data. Costs show that the Council is, on average, spending in line with other authorities. However, this varies significantly between services. High areas of spend are in adult social care, and the environment. Low areas of comparable spend are children's social care, cultural and related services.

- Children's Social Care ranked as very low unit cost per head. This is in line with the Council's understanding of its cost base. Lack of investment in Children's Service in the past is considered by the Council to support their view that further investment was needed. The Council point out that Children's Services is a subject of significant investment in 2021/22 and 2022/23 as part of the improvement plan and Children's Social Care has been impacted by recruitment challenges and this in part may have contributed to the on going issues with the Children's Services at the Council.
- Cultural and related spend ranked as very low. This is in line with the Council's understanding of its costs base as it has been subject to significant efficiency changes, including the transfer of services to the Leisure Trust and the fact that the Council holds no cultural assets, unlike many other Councils.

- The Council recognises Adult Social Care as a high area of spend (although not an outlier) as this has been an area of focus under the Council Plan and for investment, particularly in areas such as market supplements and wage levels, as part of the strategy to stabilise the market. This is reflected in the relatively strong performance of ASC against budget.
- Similarly, Highways is recognised as another area for further investment. We note that the benchmarking is affected by the fact that South Gloucestershire has a relatively large rural area, and has a relatively wide network of roads compared to some smaller urban based Councils in the comparative set.
- Other services such as Planning were comparable to the average for similar Councils.

Planning Service

We note that the Council has identified the Planning Service as an area that requires some focused improvement and has implemented a delivery action plan to develop the service over a 4 year period. The implementation of this plan was at the half way point at the end of 2021/22. Review of the Council Plan Indicators does not indicate that the service and its host directorate was underperforming against its high level Council Plan Outcomes and the supporting KPIs to a degree that would cause concern. However, planning is a service area that has very low levels of public satisfaction, principally around the time taken to process applications and appeals.

However, we note that the Council commissioned a Peer review of the service to assess progress after year end in May 2022, and the report was finalised and published on the Council website in October 2022. The report provided a positive commentary on the vision and ambition of the improvements to the service that the Council was making, however, it was critical of the slow pace of change and the realisation of measurable improvements, in areas such as processing planning applications and appeals. We have included an improvement recommendation to draw attention to the need for members to continue to monitor progress against the action plan and ensure that improvement is achieved on a timely basis.

Improving economy, efficiency and effectiveness

Children's Services

The Council is making good progress in implementing an action plan to improve Children's Services in response to recommendations made by Ofsted on Children's Services following the last comprehensive inspection in 2019, and subsequent focused visits in November 2021 and September 2022. The 2019 inspection rated the service as 'Requiring Improvement to be Good' and although this highlighted a wide range of areas for improvement, this provided assurance that the service as a whole was of an adequate standard.

In November 2021 the Council had a focused visit from Ofsted, that looked specifically at 'the front door' processes through which users access to the service. This highlighted significant failings and a need for priority action that resulted in an Improvement Notice being issued by the Department for Education (DfE) in March 2022. In their feedback to the Council, Ofsted identified that some of the areas of weakness had been identified in 2019 but had not progressed quickly enough since that time. We noted this issue in our 2020/21 VfM report, it was raised as a significant weakness in arrangements and made a key recommendation that the Council should prioritise implementation of Ofsted recommendations on Children's services relating to the improvement notice dated 2 March 2022.

For our 2021/22 VfM review we discussed progress with the Executive Director for the Department for People, who provided further details about the programme of work being undertaken by the Council to improve its children's services since recommendations were first made by Ofsted in 2019.

There have been a number of issues that have affected the prompt implementation of Ofsted recommendations since 2019, partly due to the difficulties of delivering services during the pandemic, but also due to staff recruitment challenges and the increase in demand for Children's services as the country emerges from the pandemic. In October 2021, Cabinet had already agreed to bring forward additional budget to address the recruitment and IT systems challenges with immediate effect and the Directorate established projects to address the key areas including IT systems and data monitoring, a business case for residential care provision and a recruitment and retention task force. These actions were in place at the Council prior to December 2021 but had yet to fully embed by the time of the focused visit.

Following the feedback from Ofsted in December 2021 the Council took urgent action to address the matters raised, prior to the Improvement Notice being issued by DfE. This included the implementation of a refined and refocused the Enhanced Performance Board and the commissioning of an independent chair. The Board would oversee the delivery of a new Priority Action Plan to address the priority areas identified by Ofsted in the focused visit, alongside a revised Improvement Plan for Children's services as a whole.

The additional investment in Children's Services agreed by members has been allocated to increase capacity in the team, with further investment included in the 2023/24 draft budget. A range of other measures were put in place before and after the issue of the improvement notice by DfE in March 2022.

In September 2022, Ofsted made another focused visit to the Council's Children Services to look specifically at the Children in Care aspect of the service. The report of this visit which was issued on 20th October 2022 raised further areas for improvement, but did not find services to be inadequate or propose further intervention. The report acknowledged the good progress being made by the Council in addressing the broader improvement agenda, including the appropriate focus on Children's Social care being afforded by the Strategic Leadership Team and Cabinet. Key issues identified as yet to be fully resolved include stability of workforce, management oversight, completeness of case record and timeliness of decisions and implementation of decisions to secure permanent homes for children.

As part of the monitoring of the Improvement Notice issued in March 2022, we are aware that the DfE undertook a review of progress in December 2022. While the results of the visit have yet to be finalised and published, early feedback to date appears to support the narrative that the Council continues to demonstrate a positive direction of travel in delivering improvement in the Children's Service.

We have considered the Council's progress against the Improvement Plan for Children's Services and the priority actions, and the arrangements that are now in place to support this agenda. We conclude that sufficient progress has been made to demonstrate a positive direction of travel and that the risk of significant weakness that arose from the December 2021 focused visit has receded. We recognise that significant focus and effort will be required to sustain improvement in the service over the next few years and that significant challenges around the recruitment and retention of staff and increasing demand, continue to reflect a significant challenge.

We have therefore decided to remove the significant weakness in arrangements we reported in 2020/21, but make a general improvement recommendation that the Children's Services Team, the SLT and Cabinet need to continue to focus on the improvement agenda to ensure that the Improvement plan remains on track over the next few years. We will continue to closely monitor progress and re-assess the risk of significant weakness in our 2022/23 VfM review.

Improving economy, efficiency and effectiveness

Partnership working

The Council Plan sets out the objectives of partnerships, expected outcomes and deliverables. There is a formalised and rigorous oversight of the work undertaken by the Council in partnership with other bodies and appropriate leadership in place to ensure good governance is embedded throughout the lifetime of each partnership. Partnerships in place at the Council include arrangements with local health bodies, working with other Local Authorities across services such as Children and Adult Services and partnerships with voluntary sector. Each plan has a lead provider (usually but not always the Council) and is overseen by its own Board. The work carried out with partners is reviewed and assessed within the Council's plan and budget is usually managed within the appropriate service.

Achievements with Health partners include providing support for the acute sector through tactical and strategic decision making and accessing national funding to enable quicker discharge from hospital, leveraging health partnership arrangement to recruit into and manage critical primary mental health posts and developing monitoring information with health partners to measure impact and performance.

The performance indicators for partnership engagements is monitored in the same way as other services delivered by the Council and included in the KPI's monitored through the 20 action plan commitments twice every year.

Workforce Pressures

We note that the Council had identified a critical business risk around its ability to recruit and retain the staff it requires to deliver services. This is in the context of the impact of the COVID-19 pandemic and subsequent UK wide economic and recruitment challenges. This risk is highlighted as Amber in the Organisational Risk Register (ORR).

The Council produces an annual Workforce report for review by the senior officer group, which reflects information from the live system reports which are used at directorate team meetings. The Workforce report for 2021/22 shows a deteriorating picture overall in terms of staff turnover, retention, vacancy rates and use of agency staff. We recognise that this reflects national challenges experienced across UK public services and is not specific to South Gloucestershire. The most acute challenges are in Schools catering/ cleaning (via the Integra Trading Arm of SG) and in particular, for Children's Social Care workers.

The Council is carrying high levels of vacancies, which is on an increasing trend, and the maintenance of service delivery is increasingly reliant on agency staffing to fill roles at a significant premium in specific areas, such as Integra and Social Care. The workforce report indicates that the number of advertised vacancies has increased by 288 from 796 in 2020/21 to 1084 in 2021/22. These challenges reflect not only the rate of turnover in the existing workforce establishment, but also the Council's need to meet increasing service demand with investment in new posts.

Despite an increase in overall application numbers, the increase in vacancies means that the average application per vacancy decreased compared to the previous year (from 8.1 to 6.5 applications per vacancy). The financial year 2021/22 shows an overall increase of 17.27% (£1.1m) of all agencies spend. The largest agency cost is attributable to CAH which relates to 67% (£5.1m) of total agency spend in year, an increase of 18%.

The Council has well established workforce development and training procedures for staff. A comprehensive Equality Framework is in place which sets out governance arrangements from the most senior levels as well as responsibilities across all levels of the workforce. This agenda is supported by the Council's Workforce Equality Action Plan which is intended to help drive a more inclusive and diverse workforce.

The Council's commitment to developing its workforce is illustrated in the Council Plan, where Priority 4 is concerned with Realising the full potential of our people and delivering value for money. Since 2020/21 the Council has initiated a number of new measures to help address the workforce risks identified and has managed to prevent the identified critical business risk from having a significant impact on service delivery, while workforce management processes are strengthened. We recognise that it will take significant time for new initiatives to gain traction. A range of targeted strategies and governance infrastructure have been put in place to address specific identified areas of challenge. For example, both Children's and Adults have their own Recruitment and Retention Boards and separate strategies, reflecting the very different conditions in each of these areas. Although the measures are well thought out and implemented, it will be important for the Cabinet to have effective oversight of the progress being made and have the opportunity to intervene or augment the arrangements where progress has stalled. This should be facilitated by the use of quarterly people management information packs.

Significant analysis has been done to understand the underlying conditions but primarily, the issue is a reduced supply of labour nationally, particularly in operational roles, where the Council is competing against the local care agency market, and high demand for lower paid roles from the private sector.

From September 2022, the Council will use its annual staff survey, which includes an Inclusion index alongside its quarterly and annual workforce data reports, to identify and put in place action on workforce related matters. We also note that workforce pressures are an underlying factor in the improvement plans in the Children's Service. These new measures are a step in the right direction but will take time to fully embed and we will continue to monitor progress in 2022/23.

Improving economy, efficiency and effectiveness

Procurement

The Council has a detailed procurement strategy that covers the financial periods from 2020 to 2023 and incorporates the Council's social value and ethical procurement criteria. The Procurement Strategy includes a number of key developments for implementation and an action plan is monitored by the Strategic Procurement Group. An Action Plan is in place and the most recent updated tracker indicates that this is being progressed. Key actions include delivering training, updating processes and clarifying responsibilities. As at April 22 most actions were complete, and we note that the contracts register had been updated to include improvements identified by an internal audit review in year. One of the key areas of the strategy that has been implemented under the devolved arrangements, is the rollout of procurement training for responsible budget managers. We obtained a list of attendees at training, which is tracked, and noted that 110 Council officers had attended training and that training for new starters was embedded as part of the induction process for relevant roles.

The Council operates a devolved Procurement Function with Three Divisional Procurement Hubs supporting the Executive Directorates and overseen by the Strategic Procurement Group (SPG). The SPG has a Terms of Reference, is Chaired by the Director of Resources and comprises senior procurement officers across the three Hubs in addition to the Heads of Service. SPG meets quarterly and is responsible for co-ordinating procurement across the Council, monitoring major contracts, maintaining the Contracts Register, Contract management and overseeing the procurement process for all key contracts.

The SPG provides summary reports to the Strategic Leadership Team (SLT) and it can also escalate any issues arising to SLT or to individual Executive Directors as required. The SPG is supported by Hub Group meetings who discuss and prepare the information required for SPG and co-ordinate action across the hubs. The Hubs prepare procurement updates for their respective Directorate Leadership groups on approximately a six month cycle. We note that the Council's Civica systems require all purchases to have a Purchase Order.

Key Contracts are monitored by SPG using a detailed dashboard that covers all key contracts across all directorates. The responsible budget managers provide updates for this tracker, which is co-ordinated by the Hub Leads. The Tracker records the level of annual spend, any issues arising from the contract management process, renewal/ expiry information and progress on any renewal/ re-procurement processes.

The Council's Contracting Rules are documented and appended to the Financial Regulations sitting under the Council Constitution. Section 8 deals with rules around contract waivers and competitive tendering and Section 8 waivers of this process are subject to strict rules and require Executive approval.

We note that an Internal Audit Review during the year identified improvements, particularly around control of Section 8 Contract Waivers for procurements below £75k and clearer processes for contract extensions. Above £75k, additional oversight is provided through the Procurement Hubs as a procurement plan is required, escalating up to the SPG, mitigating some of the risk. The review concluded that improvements were required but did not categorise the level of risk as Significant or Fundamental. We note that control over 'Rule 8' tender waivers, particularly for lower value contracts was not particularly strong, although improvements are being delivered in line with the internal audit action plan

In regard to Capital procurement, we note that small scale capital purchases are covered by the procurement process described above, however larger scale procurement is dealt with through the Capital Programme route. All Capital Programmes are managed through specific Programme Boards or the Infrastructure Projects Boards. The programme boards are put together for each major Capital Programme and include Director level project sponsor and senior representatives of corporate teams such as procurement, finance, legal, HR. The arrangements should be sufficiently robust if applied as intended.

We note that member visibility over procurement metrics, tender waivers and other aspects was quite limited and there is a need for this to be improved, through a report to the Scrutiny Commission, Audit Committee or Cabinet at least annually. This was recommended in the prior year and is yet to be implemented, although progress is being made.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources. We have made one Improvement Recommendation in regard to the Ofsted findings.

Improvement recommendation 3

Improving economy, efficiency and effectiveness

Recommendation	The Children's Services Team, the SLT and Cabinet need to continue to focus on the Improvement agenda to ensure that the Improvement plan remains on track over the next few years.
Why/impact	Failure to deliver adequate Children's Services poses a direct risk to the wellbeing of young people and poses a significant reputational and legal risk to the Council.
Auditor judgement	We have decided to remove the significant weakness in arrangements we reported in 2020/21, but have replaced this with a general improvement recommendation.
Summary findings	We have considered The Council's progress against the Improvement Plan for Children's Services and the priority actions, and the arrangements that are now in place to support this agenda. We conclude that sufficient progress has been made to demonstrate a positive direction of travel and that the risk of significant weakness that arose from the December 2021 focused visit has receded. We recognise that significant focus and effort will be required to sustain improvement in the service over the next few years and that significant challenges around the recruitment and retention of staff and increasing demand, continue to reflect a significant challenge.
Management comment	We agree that improving our Children's Social Care services is priority for the Council, and are keen to maintain progress and further develop the quality of services.



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

Improvement recommendation 4

Improving economy, efficiency and effectiveness

Recommendation	The Council should continue to provide updates to members and the public on progress against the action plan for improving the Planning Service and ensure that improvement is achieved on a timely basis.
Why/impact	It is important for the Council to demonstrate that it is responding to findings from the external Peer review of the Planning Service, which has been published on the website.
Auditor judgement	Improvement recommendation.
Summary findings	We note that the Council has recently published a report arising from a Peer review on the Councils Planning Service. Although the Delivery Plan for Improving the Planning Service has been updated to reflect the findings of the peer review, progress against the Delivery plan has not yet been clearly presented to members in a public forum. We note that the Planning service currently achieves low levels of public satisfaction.
Management comment	The council remains committed to reporting to members and its residents on the performance and progress with the service improvements set out in the Service Delivery Plan. The performance in the speed in determining applications has improved significantly in the last 12 months and now stands above government performance target thresholds. To further improve our understanding of outcomes, a residents' satisfaction survey is underway which will provide more detailed information on whether the council is successfully delivering new communities which meet residents' needs.



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

Improvement recommendation 5

Improving economy, efficiency and effectiveness

Recommendation	Cabinet should continue to monitor progress against the actions being taken to address critical recruitment and retention issues, particularly in Children's and Adults Social Care and Integra.
Why/impact	The Council's ability to deliver services in key areas within the available budget envelope is dependent on a successful workforce strategy that ensures key roles are filled.
Auditor judgement	Improvement recommendation.
Summary findings	As is the case with the public sector in general, the Council faces significant challenges to recruitment and retention of key service delivery roles. We note that a wide range of steps are being taken within the Directorates and HR to address issues with recruitment and retention, including strengthened governance and review arrangements. The use of quarterly People Management Information Packs to Cabinet should provide a good platform to ensure that all reasonable steps are being taken.
Management comment	The council will continue to take an active approach to recruitment and retention across its workforce, underpinned by data which is shared with Cabinet and senior managers. In addition to the Recruitment & Retention Boards within social care, there is an active recruitment strategy for Integra. Workforce data is now included as part of the council's resource allocation process. Together with our quarterly and annual workforce metrics, this gives a council-wide view of workforce issues impacting on service delivery, enabling prioritization of investment and action to support workforce capacity.



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

Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

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

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

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

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

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

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



Appendix B - An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report		Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under Schedule 7 requires the Council to discuss and respond publicly to the report.	No		NA
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money, they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes		NA
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	FS Gov 3Es	p. 11 p. 15 p. 21-23

Appendix C:

Follow up on prior year recommendations

S/N	Recommendation	VFM Category	Recommendation (Topic)	Management Comment	Status - South Gloucestershire	Progress South Gloucestershire	Status - GT
1	The Council should put in place arrangements to monitor the implementation of agreements with DfE (when formalised) around achieving in-year breakeven by 2022/23 and eliminating historic deficits by 2027/28.	FS	DfE Agreements	Agreed, the agreement with DfE has been made and arrangements are in place to monitor implementation.	Completed	The Safety Valve Agreement was signed with the DfE resulting in £25m committed by the DfE to be passed to the Council on a phased basis subject to continued progress on our agreed recovery plan. The first payment was received in March 2022 and was for £10.5m. Since then 2 quarterly updates on progress have been sent to the DfE as part of the ongoing monitoring process. Both updates were signed off by the DfE resulting in 2 further payments of £1m following each update (total of £2m) during 2022/23. This underlines that good progress is being made but of course many challenges still persist over the short to medium term requiring ongoing focus and action.	In progress
2	Internal audit recommendations should be implemented promptly.	Gov	Internal Audit	Whilst this was the position in November 2020 due to prioritising COVID-19 governance activities, performance has significantly improved since then as we have returned to BAU service delivery towards the end of the pandemic. Performance in implementing recommendations is much improved in 2021/22 with 85% of high priority recommendations implemented, 82% of critical recommendations implemented and 58% of recommendations due followed up.	Completed	The Council is behind in implementing Internal Audit recommendations and in following up on Internal Audit recommendations. Internal Audit report reviewed at Audit and Accounts Committee on 28th June 2022 showed that only 58% of recommendations due (both high and medium priority recommendations) were followed up. Of those 42% not followed up, the highest proportion belonged to the People Department. Despite this, some good progress was made in 2021/22 and this trend continues in 2022/23. Internal Audit intend to follow up all recommendations due during the year. At the end of Quarter 2 they were on track to achieve this. It was noted that in the Resource and Business Change and Place Departments there had been significant improvement in the implementation of recommendations. There was fair improvement in the People Department and Internal Audit continue to liaise with People DMT to ensure that progress continues to be consistently achieved. A fuller picture will be available at the end of the financial year.	In progress

Appendix C:

Follow up on prior year recommendations

S/N	Recommendation	VFM Category	Recommendation (Topic)	Management Comment	Status - South Gloucestershire	Progress South Gloucestershire	Status - GT
3	The Council is increasingly involved in relatively large procurement exercises including large capital programmes and should as a matter of good practice, develop KPIs at Council Plan level to monitor consultation/involvement of the procurement team, and application of procurement policies- in all procurement activities across the Council – for example, measurement of volumes and values of supplier invoices paid via the approved purchased order process and number of contract waivers issued during each reporting period.	3Es	Procurement	There are performance measures detailed in the Procurement Strategy and consideration be given through the Strategic Procurement Group as to how best to take forward.	Completed	Draft Performance Measurement Matrix agreed, together with processes for measurement.	Complete
4	The Council should prioritise implementation of Ofsted recommendations on children's services relating to the improvement notice dated 2 March 2022. The Council should ensure: a requirement for the Council to put in place clear evidence of progression towards implementation, as well as working with the adviser appointed by the Secretary of State to work with the Council and Department, and strengthening the Information Management Systems (including providing staff training on its use) that enables cases to be recorded consistently and accessed real time by the appropriate responsible officers.	3Es Key Recommendation	Ofsted Recommendations	Agreed, this is in progress.	Completed	Following the Improvement Notice from the DfE, the Council has reviewed implementation arrangements for the Improvement Plan. They have appointed an Independent Chair to their Enhanced Performance Board, and the board members regularly scrutinise progress of the Improvement Plan. Progress will also be reported to Cabinet at their meeting in December 2022. The Council works with the DfE Advisor, who is also the Independent Chair. They have an agreed work plan with the DfE and monthly monitoring meetings with the Advisor and DfE officials. The IT system, Mosaic, has had an upgrade so that it meets with the requirements of their Social Work practice model, Signs of Safety. Every member of staff received training in the revised system, and new staff cover the training as part of their induction programme.	Complete

