

BATH AND NORTH EAST SOMERSET

AUDIT COMMITTEE

Wednesday, 5th February, 2025

Present:- Councillors David Biddleston (Chair), Sam Ross (Vice-Chair), Malcolm Treby and Toby Simon

Independent Member: John Barker

Also in attendance: Jeff Wring (Director of Financial Services, Assurance & Pensions, Gary Adams (Head of Financial Management), Andy Cox (Head of Audit and Assurance (One West)), Claire Read (Group Accountant – Financial Accounting & Treasury), Beth Bowers (Senior Manager, Grant Thornton), Mandy Bishop (Chief Operating Officer), Mary Kearney-Knowles (Director of Children's Services and Education) and Christopher Kinsella (Interim Executive Director Resources and Section 151 Officer)

41 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer drew attention to the emergency evacuation procedure as set out on the agenda.

42 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were none.

43 DECLARATIONS OF INTEREST

There were none.

44 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

45 ITEMS FROM THE PUBLIC - TO RECEIVE STATEMENTS, PETITIONS OR QUESTIONS

Clare Minchington addressed the Committee on the subject of the Liveable Neighbourhoods Programme. A copy of the statement will be attached as an online appendix to these minutes and a summary is set out below.

'I should like to draw the committee's attention to failures in the governance and decision-making surrounding the Liveable Neighbourhoods (LNs) programme.

In June 2021, an LN Bid for Walcot (including Camden Road) was rejected by the Cabinet and instead, a smaller LN initiative for London Road and Snow Hill was approved.

The scaled down Phase 1 LN was approved by Cabinet and consultation was subsequently undertaken with local residents in London Road and Snow Hill. This generated excellent suggestions to improve the liveable nature of the area – unsurprisingly a bus gate on Camden Road was not discussed, as a bus gate on Camden Road which by the Council's own figures carries 6,000 vehicles a day, cannot be seen as small-scale, or as adjacent to London Road, Snow Hill and Kensington Gardens.

A FOI request to BANES in 2023 revealed that the expansion of the scheme from that approved by Cabinet would be a single-member decision, but we have not found such a decision in the Weekly List.

The Council has failed to follow the correct procedure before successfully applying for WECA funding in September 2024 for the Camden bus gate, which was previously rejected by Cabinet. They have also failed to properly consult on the proposal as the focus of consultation activity was rightly around a LN for London Road and Snow Hill.

I would ask the committee to:

1. Reconsider the scoring of the Corporate Governance Risk in the Council's risk register in light of the high likelihood of successful legal challenges to the validity of this ETRO in particular and other ETRO's being implemented across Bath.
2. Commission an internal audit of the LN programme focussing on compliance of BANES with its own consultation and decision-making frameworks, policies and processes.
3. Pay particular attention to the 'independent' examination of financial records conducted by the internal auditors to provide assurance that WECA LN grants are being used in compliance with their Terms and Conditions.

The Chair commented that it was not within the scope of the Committee to talk at length about the Liveable Neighbourhoods Programme, but would ask that they focus on the three final points raised in the statement.

The Director of Financial Services, Assurance & Pensions thanked Clare for the points she had raised and said that a full written response would be given in due course. He added that in terms of the Corporate Governance Risk this was focussed on whether there were appropriate mechanisms in place to ensure lawful decision making can take place through the Constitution. If there was a specific legal risk that was highly significant that would feature as a separate risk. He added that he would speak with the Council's Monitoring Officer for clarity on this matter and update if needed in the response to the statement.

He explained that the Committee were to discuss the development of the Internal Audit Plan for 2025/26 in a later agenda item and asked them to keep this request in mind for their discussions. He added that Internal Audit have already carried out reviews on other areas within the Liveable Neighbourhoods Programme within 2024/25 and would be willing to share that with members if required.

He said that Internal Audit do carry out examinations on all WECA grants and that he was not aware of any issues in relation to the compliance with these terms and conditions.

Clare Minchington commented that the risk of reputational damage to the Council could arise from the decision-making framework not being followed appropriately.

The Chair thanked Clare for her statement and said that the Committee should decide on whether any further action should be taken on this issue following the receipt of the written response from officers.

46 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

47 MINUTES: 27TH NOVEMBER 2024

The Committee **RESOLVED** that the minutes of the meeting held on 27th November 2024 be confirmed as a correct record and signed by the Chair.

48 SEND COLLABORATION FOR BANES (SAFETY VALVE) - RISK MANAGEMENT UPDATE

The Director of Children's Services & Education introduced the report to the Committee and highlighted the following points.

- The report forms part of a series of risk management update reports to the Audit Committee to give it assurance on the system of risk management.
- Since 2019/20, the Council has exceeded the allocated funding, resulting in a deficit primarily within the high needs block, which supports services for individuals with special educational needs and disabilities (SEND).
- In 2022/23, the Council successfully joined the SV program, with an agreed recovery plan and ministerial approval. B&NES secured £19.22m, receiving £7.68m in March 2023. However, due to slippage, the agreement with the DfE is under review, grant payments have been suspended pending a revised agreement. In the 2023-24 financial year, the total paid under the agreement was £0.55m.
- The Council was put into an Enhanced Monitoring pool, which meant it has received additional support from 3 x DfE appointed advisers. The Service also appointed ISOS Partners to review the original submitted plans, and requested, and was granted dedicated support from the Council's Business Change Hub. External expertise was also granted to refine the financial modelling required. The programme is now called the SEND Collaboration for BaNES.

- Updated plans for the SEND Collaboration for BaNES were submitted to DfE on time on 24th May 2024. Detailed feedback was received from DfE advisers on 27th June 2024.
- Following a review of the feedback, a date was agreed with DfE to re-submit the plans, taking into account the comments from the advisers. This was agreed as 1st October and the plans were submitted again on the 30th September 2024. No further feedback on the plans has been provided by DfE and the Council is still awaiting a formal DfE response.
- Internal Audit reviewed the governance and programme management framework for the SEND Collaboration in Q2 and 3 2024, and the report in September 2024 judged there to be substantial assurance.
- Over the past 5 years the growth in EHCPs and requests for EHCPs has grown significantly. The numbers of EHCP requests have increased by 125% over the 5-year period whilst the numbers of EHCPs granted have increased by 75%.
- The SEND Collaboration for BaNES programme has robust governance in place. The Executive Group meets fortnightly to review progress, and reports regularly to ELT and to the Business Change Steering Group.
- A fortnightly briefing is held with the lead member for Children's Services and the Executive Group is responsible for agreeing the updates to the Lead Member, the Children, Adults, Health and Wellbeing Policy Development and Scrutiny Panel, Informal Cabinet and Cabinet.
- Discussions are ongoing with the DfE to ascertain:
 - Whether / when the plans may be signed by the DfE and remaining tranches of funding received.
 - When a clear decision will be made for the development of the Sulis AP and Green Ways SEN Academies.

The Director of Children's Services & Education said that this was both a regional and national challenge and that the Association of Directors of Children's Services has highlighted the pressure that this is bringing to their role and the functions within their respective Local Authorities.

The Executive Director for Operations added that as well as the current additional support detailed within the report further funding is being sought for work associated with SEND in the draft budget for 2025/26.

The Chair commented that it was clear that this was a national issue and noted it had also been highlighted by External Audit.

John Barker asked for confirmation if the slippage was due to a shortfall in expertise or an increase in demand.

The Director of Children's Services & Education replied that there had been an increase in demand from their initial projections. She added that the SEND reforms that were introduced in 2017 changed the age range from those children and young people covered by an EHCP from 6 – 16 years old to 0 – 25 years old.

John Barker asked if the growth in demand was attributable to the upper age group.

The Director of Children's Services & Education replied that it was not particularly as there can be a need for services / support from a young age. She added that the Council were seeking to provide Early Help support outside of their statutory framework.

Councillor Toby Simon commented that it was clear that the funding supplied is not sufficient for the duties that the Council are being asked to carry out. He asked what the impact of this was on the children and young people within B&NES.

The Director of Children's Services & Education replied that the issue of timeliness remains an area that is seeking to be improved. She said that the Council issues around 29% of their EHCP's within the 20 week guideline and were looking to increase this to 50% if possible.

Councillor Malcolm Treby referred to the risk in delays to the capital programme and asked for confirmation that the mitigated score of 9 was sufficient.

The Director of Children's Services replied that she was satisfied that the mitigated score was sufficient to the identified risk.

The Chair referred to the issue of Reforming the Children's Social Care System and asked if information could be provided regarding plans for the Council to set up any Children's Homes.

The Director of Children's Services replied that there was not sufficient Foster Care provision within B&NES and was aware that the Association of Directors of Children's Services had lobbied nationally regarding profiteering of suppliers of such homes.

The Executive Director for Operations added that the option of the Council having its own residential provision for children and young people was being explored.

Councillor Sam Ross commented that it should be noted that recruitment and retention of staff within the service area appears to remain an issue alongside ensuring that a competitive salary is in place.

The Audit Committee **RESOLVED** to note the report.

49 EXTERNAL AUDIT - UPDATE

Beth Bowers, Grant Thornton (External Auditors) introduced the report to the Committee and highlighted the following areas from within it.

- Work in Progress – February 2025
 - Financial Statements Audit – We will undertake our initial planning for the 2024/25 audit in March 2025, and discuss with management a suitable timetable for the interim audit. We begin our work on your draft financial statements in June.
 - We will issue a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2024/25 financial statements at the April Audit Committee.
- Value for Money
 - Under the 2020 Audit Code of Practice, we are required to undertake work to satisfy ourselves that the Authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.
- Audit deliverables
 - Audit Plan – We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2023/24 financial statements. (April 2025)
- Sector Updates
 - IFRS 16 – Leases: Lessee accounting from 1st April 2024 – From the adoption of Local Government of IFRS 16 leases on 1st April 2024, the distinction between operating and finance leases for lessees has been removed. Now all leases, apart from those that are deemed low value or short term, are accounted for on balance sheet by lessees.
 - Public Sector adaption: In the public sector, the definition of a lease has been extended to include the use of assets for which little or no consideration is paid, often called 'peppercorn' rentals. This is one instance where the right of use asset and its' associated liability are not initially recognised at the same value. For peppercorn rentals, the right of use assets are initially recognised at market value. Any difference between market value and the present value of expected payments is accounted for as income. This has similarities with the treatment of donated assets.

- Local Audit backlog
 - On 19th November 2024, the Financial Reporting Council (FRC) shared the latest Public Sector Audit Appointments Ltd (PSAA) data on the number of local government audits outstanding nationally.
 - The FRC showed that on 30th September, on average every local authority buying their external audit services through PSAA had two years audits outstanding.
 - We are pleased to be able to show that Grant Thornton rates of delivery are well ahead of the national average. PSAA data shows that by mid November 2024, Grant Thornton had signed off 74% of all opinions due up to and in respect of 2022/23. For prior year value for money audits , 99% have been completed, putting us significantly ahead of the national average.
 - The 2024/25 audit is planned to conclude earlier than in previous years.

Beth Bowers apologised to the Committee and explained that the title of the section of the report on page 44 on the agenda pack should read 'Pensions Investment Review – Have your say'.

Councillor Toby Simon asked what portfolio the Council has as lessees and how would the issue regarding peppercorn rent affect our accounting and the University of Bath.

The Group Accountant for Financial Accounting & Treasury replied that there were around 30 leases coming into the Council with 8-10 of these having to show on the balance sheet, which will be a change in accounting arrangements.

She added that they will be looking into the matter of peppercorn rents across the Council and that the site of the University of Bath would be assessed as part of this ongoing work.

The Chair commented that he would welcome the Committee receiving further information on this subject to a future meeting.

John Barker commended the work of Grant Thornton regarding the Local Audit backlog. He asked if there was a danger of the goalposts moving nationally which may influence the focus of risk from clients or potential clients.

Beth Bowers replied that as a company they have reduced their portfolio, but have taken on more complex cases. She added that they were clear that priority will be given to those cases that have assurance over those that do not.

She stated that B&NES remains in line to continue within their first phase of audit deliveries as long as the Council can provide the necessary accounts within the agreed timescales.

Councillor Sam Ross asked if the proposed earlier timescales described for future audits were feasible.

The Head of Financial Management replied that they were in regular discussion with the external auditor and planned to issue the draft accounts one month earlier than the deadline, this being the end of May. He added that they had managed to achieve this for the past two years.

Councillor Toby Simon asked if it had yet been decided who would have the role of Section 151 Officer within the Council.

The Interim Executive Director for Resources (S151) replied that this had not been decided yet.

The Director of Financial Services, Assurance & Pensions added that the new Executive Director for Resources, Simon Parker, was due to join the Council on 17th March and that he would not be holding the position of Section 151 Officer.

Councillor Simon asked that once a decision had been made on the role, that the Committee be informed.

The Chair referred to page 34 of the report and asked officers if they have any initial comments on the Localis report and its proposal to 'strengthen internal audit functions to identify emerging financial threats'.

The Head of Audit & Assurance replied that they were due to review the Whistleblowing Policy in the next financial year (2025/26) and said that he believed that there were already strong systems and processes in place.

He added that in terms of strengthening the internal audit function they had been able to increase the capacity of the team by recruiting two further officers since the last meeting of the Committee had been held. He said that the role of internal audit is to look at all threats and risks and to liaise with finance officers to take matters into account when forming the Internal Audit Plan.

The Audit Committee **RESOLVED** to note the External Audit Update Report.

50 TREASURY MANAGEMENT STRATEGY STATEMENT 2025/26

The Group Accountant for Financial Accounting & Treasury introduced the report to the Committee and highlighted the following points from it.

- Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

- Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.
- Investments held for service or commercial purposes are considered in the Capital and Investment Strategy within the Budget Report which is also included on the agenda for Cabinet & Council for February.
- Economic background - The Bank of England's (BoE) Monetary Policy Committee (MPC) held Bank Rate at 4.75% at its December 2024 meeting, having reduced it to that level in November and following a previous 25bp cut from the 5.25% peak at the August MPC meeting.
- The November quarterly Monetary Policy Report (MPR) expected Gross Domestic Product (GDP) growth to pick up to around 1.75% (four-quarter GDP) in the early period of the BoE's forecast horizon before falling back. The impact from the Budget pushes GDP higher in 2025 than was expected in the previous MPR, before becoming weaker.
- ONS figures reported the annual Consumer Price Index (CPI) inflation rate at 2.6% in November 2024, up from 2.3% in the previous month and in line with expectations. Core CPI also rose, but by more than expected, to 3.6% against a forecast of 3.5% and 3.3% in the previous month. The outlook for CPI inflation in the November MPR showed it rising above the MPC's 2% target from 2024 into 2025 and reaching around 2.75% by the middle of calendar 2025.
- Credit outlook - Credit Default Swap (CDS) prices have typically followed a general trend downwards during 2024, reflecting a relatively more stable financial period compared to the previous year. Improved credit conditions in 2024 have also led to greater convergence in CDS prices between ringfenced (retail) and non-ringfenced (investment) banking entities again.
- Interest rate forecast - The Authority's treasury management adviser Arlingclose expects the Bank of England's MPC will continue reducing Bank Rate through 2025, taking it to around 3.75% by the end of the 2025/26 financial year. The effect from the Autumn Budget on economic growth and inflation has reduced previous expectations in terms of the pace of rate cuts as well as pushing up the rate at the end of the loosening cycle.
- Arlingclose expects long-term gilt yields to remain broadly at current levels on average (amid continued volatility), but to end the forecast period modestly lower compared to now. Yields will continue to remain relatively higher than in the past, due to quantitative tightening and significant bond supply.
- For the purpose of setting the budget, it has been assumed that short term treasury investments will be made at an average rate of 4.00% and long-term strategic investments will yield an average rate of 4.25%. It is forecast that new loans will be borrowed at an average rate of 5.10% during 2025/26.

- Local context - Council's position as at 31st December 2024: The Council held £266.95m of borrowing and £43.1m of treasury investments.
- Liability Benchmark - The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.
- When we compare actual borrowing to the Liability Benchmark the model anticipates that the Council will be in an under borrowed position between 2025 and 2052. When the Council is considering new long-term borrowing, this funding gap can be used, as a useful guide to the optimal amount and length of borrowing required in order to minimise interest rate and credit risk.
- Strategy - Short-term interest rates are currently higher than in the recent past, but are expected to fall in the coming years and it is therefore likely to be more cost effective over the medium term to borrow short term loans. The risks of this approach will be managed by keeping the Council's interest rate exposure within the limit set in the treasury management prudential indicators. By doing so the Council is able to reduce net borrowing costs, over time and overall treasury risk.
- Under the Markets in Financial Instruments Directive (MiFID) II, the Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Executive Director - Resources believes this to be the most appropriate status.
- Approved counterparties - The Council may invest its surplus funds with any of the counterparty types in Table 3, subject to the limits shown. The Council will consider other factors including; if a S114 Notice has been issued, if exceptional financial support is requested/granted and the status of the authorities' statement of accounts.

Councillor Malcolm Treby referred to Table 2 on page 59 of the agenda pack and stated his concern that the net loans requirement was due to rise by over £200m in the next four years. He asked for it to be confirmed how much of the revenue budget would be as a proportion of this and what was driving the increase.

The Head of Financial Management replied that this was linked to the proposed Capital Programme and that there had been an increase in the loan facility to Aequus Group Holding Ltd, the Council's company that will develop, deliver, own and manage property for both the rental and home owner's market.

He added that this was linked to their business plan and there were potential big developments in the pipeline which could cost £74m over a five-year period. He said that the revenue impact has been factored into the Medium-Term Plan.

John Barker asked whether further Committee member training could be received from Arlingclose.

The Director of Financial Services, Assurance & Pensions replied that officers have already provided training but would look to put something additional in place with regard to further training if the Committee required but that funding needed to be identified to support this.

The Chair asked if the Head of Financial Management could circulate to the Committee the original training slides from Arlingclose in the meantime.

John Barker referred to page 51 and asked if the risk assessment had been carried out internally.

The Head of Financial Management replied that as part of the process briefings would have been received from advisors relating to economic / credit impact, but this was an internal assessment.

The Chair also referred to page 51 and asked for confirmation that the Council had no counterparty links to Icelandic banks.

The Head of Financial Management replied that the Council had no investment at that time. He added that caution is required when deciding on counterparty selection and that he believed that the Council's current list is tight.

The Chair asked for an explanation of the decision for the Council to opt up to MiFID II professional status.

The Group Accountant for Financial Accounting & Treasury replied that before MiFID II the Council would have been recognised as a Professional Client and that when it was introduced it would have been given a Customer status. She added that the decision to move up to Professional status would see no change in transparency levels and allows for the Council to receive the same level of support from our treasury management advisors and have access to products including money market funds, pooled funds, treasury bills, bonds and shares.

Councillor Toby Simon commented that he was worried about lending to other Local Authorities and urged officers to act with caution.

John Barker said that formal standards must be in place for any lending between Local Authorities.

The Committee **RESOLVED** to:

- i) Recommend the actions proposed within the Treasury Management Strategy Statement (Appendix 1) to Council;
- ii) Note the Treasury Management Indicators detailed in Appendix 1.

51 INTERNAL AUDIT PLAN 2024/25 UPDATE AND CONSULTATION ON THE DEVELOPMENT OF THE INTERNAL AUDIT PLAN 2025/2026

The Head of Audit & Assurance introduced the report to the Committee and highlighted the following points.

- The report provides an update on progress in completing the Internal Audit Plan 2024/25 audit reviews.
- Appendix 1 records progress on completing the Internal Audit Plan 2024/25 core audit reviews.
 - 8 Final 'Assurance' Reports or 'Briefing' Reports Issued
 - 4 Draft Reports Issued
 - 9 Audits Work-In-Progress / Audit Brief Agreed
 - 5 Audits to start – linked to the agreed operation of a 'flexible' Audit Plan, the Head of Audit & Assurance has liaised with the Director of Children's Services & Education to replace the Brokerage audit with a review of Adult Care Adaptations as concerns have been highlighted in terms of delays in provision of necessary adaptations (reliant on effective co-ordination between Council Occupational Therapy and Housing Teams and also property landlords e.g. Curo).
 - The planning process is based on the fundamental requirement that the Audit Plan proposed will deliver sufficient work to enable the Chief Internal Auditor to independently assess the internal control framework of the Council and provide a 'reasonable assurance' opinion at the end of each year. The model we have adopted, and use is the 'Reasonable Assurance Model'.
 - The Audit Committee is a key stakeholder and has responsibility for approving the Internal Audit Plan. The purpose of this report is to obtain Committee Member views and feedback on areas / themes which should be considered during the planning process for potential inclusion in the Internal Audit Plan. The Plan is to be submitted to the Committee at its next meeting on 30th April 2025.
 - From the planning work carried out to date, the following 'themes' are emerging which need to be considered further to scope Internal Audit core audit reviews:

- Children’s Services - Special Educational Needs / Designated Schools Grant – Safety Valve Delivery Plan; provision of services in compliance with statutory responsibilities.
- Adult Services – Safeguarding, fulfilling statutory responsibilities and responding to CQC findings and recommendations.
- External funding and delivery of projects
- Debt Management – effective management of Council income / debt.
- IT – Cyber Security and Artificial Intelligence
- Contract Management

The Chair said that he welcomed the guidance that had been given and that it was his view that the Liveable Neighbourhoods Programme should be considered, depending on the outcome of the officer’s report following the public statement that had been made earlier in the meeting.

John Barker proposed whether the new Procurement Act could be added to the scope for potential reviews.

The Director of Financial Services, Assurance & Pensions replied that this was a new piece of legislation and that the Council itself was still awaiting ministerial guidance on it. He added that there would need to be sufficient samples within this work area to be able to audit.

Councillor Malcolm Treby suggested the following two topics for review:

- Ransomware Attacks – Preparedness
- Effectiveness of Policy Development & Scrutiny (PDS) Panels

The Head of Audit & Assurance replied that Cyber Security was 25% of the core Audit Plan and that they would work with colleagues within IT Services on any areas of specific focus. He added that they could consider adding PDS Panels to their long list and reminded members that there is an assessment process to give a focus on the areas of the most risk.

Councillor Toby Simon questioned whether any lessons could be learned from a review of the Libraries system. He referred to the IT Services Recovery Management Audit Review which was listed as Draft with an Assurance Level of 2 and asked when this would be shared with the Committee.

The Head of Audit & Assurance replied that he was in conversation with partners in the South West about the potential for a Libraries review. He added that when the IT Services Recovery Management Audit Review report had been finalised, if the Assurance Level remains at 2, it would be shared with the Committee.

The Chair said that he agreed with the comments made by Councillor Treby that information into the PDS Panels had been lacking in recent months. He added that

he wished for all concerned to remain on top of the Climate & Ecological Emergency Response - Performance Monitoring / Reporting.

Councillor Sam Ross suggested that a review of Section 106 spending and funding not spent be considered.

The Head of Audit & Assurance replied that there were already plans to bring a presentation to the Committee meeting in April regarding Section 106 and CIL (Community Infrastructure Levy).

The Committee **RESOLVED** to:

- i) Note the progress in delivery of the 'core' audit reviews in 2024/25 Annual Audit Assurance Plan.
- ii) Note any activity areas or themes that members of the Committee would like to be considered for inclusion in the list of audit reviews which will form the core work of the Internal Audit function for the financial year 2025/26.

52 ANNUAL GOVERNANCE STATEMENT 2024/2025

The Head of Audit & Assurance introduced the report to the Committee. He explained that in November 2024 the Audit Committee received a presentation on the Council's Statement of Accounts and this included slides on the Council's Annual Governance Statement 2023/24 and the 'significant' reportable issues of Financial Challenge (Service Demand & Cost Pressures) and Children Services (Dedicated Schools Grant Deficit & the Safety Valve Agreement).

He stated that an update on the position with regard to the DSG Deficit and Safety Valve Agreement had earlier been presented to the Committee including details on actions and progress. He added that it was still highly possible that this issue will remain significant in relation to the Annual Governance Statement in 2024/25.

The Financial Challenge issue remains severe, work on the Children's Transformation Plan progresses well but service demand remains very high putting extreme pressure on the Council's overall budgets. A £1.42M forecast overspend was presented to Cabinet in November reflecting our quarter 2 position and a further Q3 update will be presented to Cabinet in February.

The Chair thanked the Head of Audit & Assurance for all the work he has undertaken on behalf of the Council over many years and wished him a very good retirement.

The Head of Audit & Assurance thanked him and said his role had been both enjoyable and challenging over the years and thanked the Director of Financial Services, Assurance & Pensions for all his support over the years.

The Committee **RESOLVED** to note the report.

53 AUDIT COMMITTEE - DRAFT WORKPLAN

The Director of Financial Services, Assurance & Pensions introduced this item to the Committee. He highlighted that a Section 106 Update – Risk Management Update Report was due for the April meeting and that the Committee could consider how much further independent assurance is required following the receipt of that report.

Councillor Malcolm Treby reiterated the earlier point raised by Councillor Simon that the IT Services Recovery Management review should be shared with the Committee.

The Director of Financial Services, Assurance & Pensions replied that this report would be contained within the Internal Audit Annual Report for 2024/25 which was due for the Committee’s April meeting.

John Barker asked if an update could be provided on the Local Audit proposals following the recent consultation.

The Director of Financial Services, Assurance & Pensions replied that this issue was on their watching brief list, pending the outcome of the consultation. He added that a response to the consultation was submitted and that they strongly supported the areas that had been highlighted by the members of the Committee.

Councillor Malcolm Treby asked if an update could be provided on the previously reported External Audit findings.

The Director of Financial Services, Assurance & Pensions replied that this would be provided to the Committee once a follow-up had been completed.

John Barker asked if any progress had been made on training dates for the Committee.

The Director of Financial Services, Assurance & Pensions replied that an email had been sent during the course of the meeting inviting members to a training session on March 19th 2025.

The Committee **RESOLVED** to note the 2024/25 workplan for the Committee.

The meeting ended at 6.04 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

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Statement to the Audit Committee by Clare Minchington 5th February 2025

Thank you. I should like to draw the committee's attention to failures in the governance and decision-making surrounding the Liveable Neighbourhoods (LNs) programme.

In June 2021, an LN Bid for Walcot (including Camden Road) was rejected by the Cabinet and instead, a smaller LN initiative for London Road and Snow Hill was approved. The Council's decision document¹ states that the Walcot bid was:

“considered to be too complex and pose too many challenges to be included within the phase 1 programme as a complete project in phase 1. The level of through traffic in these areas is particularly high and potential schemes here will benefit from experience gained from scheme development and implementation in other parts of the district. However, it is considered that a small-scale scheme could be implemented in the London Road/Snow Hill/Kensington Gardens and adjacent roads area of Walcot as part of phase 1.”

The scaled down Phase 1 LN was approved by Cabinet and consultation was subsequently undertaken with local residents in London Road and Snow Hill. This generated excellent suggestions to improve the liveable nature of the area – unsurprisingly a bus gate on Camden Road was not discussed, as a bus gate on Camden Road which by the Council's own figures carries 6,000 vehicles a day, cannot be seen as small-scale, or as adjacent to London Road, Snow Hill and Kensington Gardens.

A FOI² request to BANES in 2023 revealed that the expansion of the scheme from that approved by Cabinet would be a single-member decision, but we have not found such a decision in the Weekly List.

The Council has failed to follow the correct procedure before successfully applying for WECA funding in September 2024 for the Camden bus gate, which was previously rejected by Cabinet. They have also failed to properly consult on the proposal as the focus of consultation activity was rightly around a LN for London Road and Snow Hill.

I would ask the committee to

1. Reconsider the scoring of the Corporate Governance Risk in the Council's risk register in light of the high likelihood of successful legal challenges to the validity of this ETRO in particular and other ETRO's being implemented across Bath.
2. Commission an internal audit of the LN programme focussing on compliance of BANES with its own consultation and decision-making frameworks, policies and processes.
3. Pay particular attention to the 'independent' examination of financial records conducted by the internal auditors to provide assurance that WECA LN grants are being used in compliance with their Terms and Conditions.

¹ E3285

² The FOI response stated that *'as far as the Council is concerned, no decision has been made on the final extent of the area to be considered in the first instance i.e., the extent of the "adjacent roads" referred to above in order to deliver a meaningful LN scheme. A single member decision will be issued in due course that will set out the interventions to be taken forward to preliminary design. The forward plan number allocated is E3418.'*

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