

Bath & North East Somerset Council Value for Money

Year ending 31 March 2022 and 31 March 2023

August 2023



Contents

Section	Page
Value for Money arrangements	3
Initial planning	4
Approach	5
Risks of significant weakness	6

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Value for Money arrangements

Revised approach to Value for Money work from 2020/21

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

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

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

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



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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



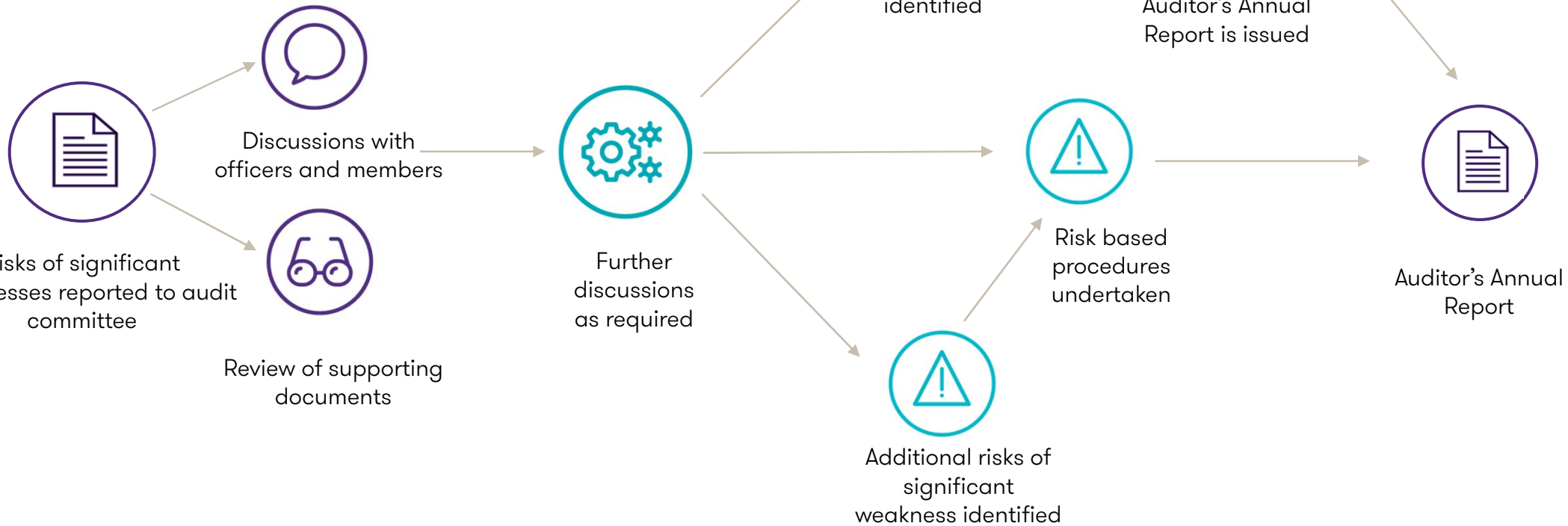
Initial planning



Approach

Review to enable commentary on overall arrangements in combination with 2021-22 VFM work.

Risk based procedures focused on identified risks of significant weakness



August 2023

September 2023

October 2023

October 2023

November 2023

Risks of significant VFM weakness

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The identified risks of significant weakness will be considered as well as follow-up of our findings from the previous year's Auditor's Annual Report.



Governance arrangements, how the Council ensures it makes informed decisions for its companies

We will review the arrangements to ensure informed decision making for the following:

- the governance arrangements over changes to the Council's Group structure during the periods
- procurement processes

Our review will include:

- the governance plans for the formation of new company structures, or amendments to existing structures, and consider whether proposals are in line with public sector laws and regulations
- Consideration of the oversight of those charged with governance



The Council's arrangements for securing financial sustainability relating to the dedicated schools grant

The Council's cumulative DSG deficit was at £13.4m at the end of 2021/22 and has only remained static during 2022/23 due to support from the safety valve programme. Given the risk associated with the spiralling costs of the DSG and the inherent uncertainty relating to the statutory override currently in place, we have concluded that there is a significant risk of weakness in arrangements for delivering financial sustainability.

We will review the arrangements for:

- the Council's arrangements for identifying and monitoring risks to its financial delivery
- the robustness of the council's medium term financial strategy and savings plans, especially in relation to increasing spend on Children's services
- The Council's actions as a result of safety valve discussions
- Any plans for the transformation of services

At any stage of our new approach to VfM, additional risks of significant weakness may be identified, these will be reported to you as they are identified.



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