



Bath and North East Somerset Council

Interim Auditor's Annual Report
Year ending 31 March 2025

16 September 2025



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

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01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for Bath and North East Somerset Council (the Council) during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of a local authority has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State. They may also issue:

- Statutory recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

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 (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Local government – context

Local government has remained under significant pressure in 2024/25

National

Past



Funding Not Meeting Need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.



Workforce and Governance Challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

Present



Financial Sustainability

Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.



External Audit Backlog

Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.

Future



Funding Reform

The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.



Reorganisation and Devolution

Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Local

Bath and North East Somerset Council (the Council) is a unitary council formed in 1996 with an estimated population of 195,618 residents (ONS 2022). The Council covers approximately 135.2 square miles. Bath has the largest urban population (50%) with other smaller towns being Keynsham, Midsomer Norton and Radstock. The remaining population is spread across diverse rural communities. The Council operates under an Executive decision-making model, which oversees the formation of all major policies, strategies and plans and as such the Council's formal decision making and governance structure constitutes the Full Council and an Executive (the Cabinet). In recent years we have identified a substantial and growing Dedicated Schools Grant deficit as a key financial sustainability challenge for the Council.

It is within this context that we set out our commentary on the Council's value for money arrangements in 2024/25.

02 Executive Summary

Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council's arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	R Significant weakness in arrangements, one key recommendation and two improvement recommendations also raised.	One risk of significant weakness identified in relation to: the Dedicated Schools Grant (DSG) Deficit.	R Ongoing significant weakness in arrangements identified in relation to the DSG deficit, one improvement recommendation also retained from the prior year.
Governance	A No significant weaknesses identified; three improvement recommendations raised in 2023/24 and three from 2022/23, yet to be fully addressed.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified; one improvement recommendation relating to procurement and contract management is relevant to this reporting area.
Improving economy, efficiency and effectiveness	A No significant weaknesses identified; two improvement recommendations raised in 2023/24 and three from 2022/23, yet to be fully addressed.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified; two improvement recommendation remain, of which one has been updated.

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendation(s) made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Financial sustainability

In 2024/25, the Council reported a small revenue overspend of £0.21m, funded from reserves. General Fund reserves increased from £86.4m to £91.8m. Financial strategies are aligned, treasury indicators were within limits, and risk management arrangements remain in place. The Council has set a balanced revenue budget for 2025/26.

However, the Dedicated Schools Grant (DSG) deficit rose by around £10.5m to £32.8m. The Council remains outside its agreed Safety Valve (SV) plan, and no SV payments were received in 2024/25. This remains a key area of concern and we retain our key recommendation from prior years.

Savings delivery also remains a challenge, though the Council has committed to developing a single transformation plan to improve delivery.



Governance

The Council has arrangements in place to identify and manage risks, and to manage risks to its internal control environment. Budget-setting arrangements are sound.

A range of policies are in place to support staff in raising concerns, including a whistleblowing policy, though the delay to a planned staff survey and a lack of in-year assurances limit our ability to comment on the effectiveness of these arrangements during the year.

The Council has chosen to report breaches of its procurement processes to its Procurement Steering Group - we continue to recommend reporting to a member-led committee to increase transparency and enhance members' ability to seek assurance on the underlying arrangements.



Improving economy, efficiency and effectiveness

The Council has worked to improve arrangements for monitoring and improving its performance by revising its Strategic Performance Indicators. It also maintains oversight of key services through inspection outcomes, including a positive Ofsted focused visit in December 2024. No significant concerns were raised by other regulators during the year. The Council also continues to strengthen its partnership governance.

Progress on contract management improvements remains ongoing, and we maintain our recommendation in this area. While performance issues were noted with a Library Management System contract procured collaboratively, the Council has reflected on the challenges of joint arrangements, which may help inform future improvement planning.

03 Opinion on the financial statements and use of auditor's powers

Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

We propose to issue an unqualified opinion on the Council's financial statements as soon as practically possible following the Audit Committee on 24 September 2025

The full opinion will be included in the Council's Annual Report for 2024/25, which can be obtained from the Council's website.

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

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline of 30 June 2025.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

- We have not identified two non-material adjustments to the financial statements in relation to investment properties and other land and buildings
- No further significant findings have arisen from the audit to date, however work remains in progress and subject to final quality reviews.
- Other adjustments made to the draft financial statements are disclosure and narrative related and do not impact the primary statements
- No significant control recommendations have been raised in 2024/25

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report will be issued to the Council's after the audit committee on 24 September 2025. Requests for this Audit Findings Report should be directed to the Council.

Opinion on the pension fund statements

These pages set out the key findings from our audit of the pension fund financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

The Pension Fund is required to publish its Annual Report by 1 December 2025. We issue an auditor's consistency report which includes our opinion that the 2024/25 Avon Pension Fund financial statements within the Pension Fund Annual Report are consistent, in all material aspects, with those within the audited administering authority's Financial Statements.

We propose to issue an unqualified consistency report on the pension fund financial statements contained within the Pension Fund's Annual Report as soon as practically possible following the Audit Committee on 24th September 2025.

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

- give a true and fair view of the financial position of the Pension Fund as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Pension Fund provided draft accounts in line with the national deadline.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

We did not encounter any significant issues in the timely completion of our audit work and we would like to extend our thanks to the Pension Fund finance team for their support during this year's audit process.

- We anticipate issuing an unmodified audit opinion on the Pension Fund statements as soon as practically possible after the Audit Committee on 24th September 2025.
- Our work to date has found no material errors or adjustments in the draft statements. All detail of non-significant adjustments identified from our work can be seen in our Audit Findings Report.
- There were no significant control recommendations or findings arising from the audit. More detail of non-significant deficiencies and improvement points identified from our work can be seen in our Audit Findings Report.

Opinion on the pension fund statements (continued)

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A version of our report will be presented to the Pension Fund's Audit Committee on 24th September 2025 and a final version will be shared alongside our final signed audit opinion. Requests for this Audit Findings Report should be directed to the Council.



Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.



04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Council's 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 (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>In 2024/25, the Council reported a small revenue overspend of £0.21m, funded from the revenue contingency reserve. While there were significant variances across portfolios, Children’s Services overspent by £6.2m, offset by a £5.3m underspend in Corporate budgets. General Fund (GF) non-earmarked reserves stood at £12.6m, a slight decrease from the previous year but overall general fund reserves slightly increased from £86.4m to £91.8m, including a £16.3m business rates reserve. Capital expenditure was £53.0m against a £70.5m budget (75% delivery), with £16.2m rephased, indicating some scope to improve profiling.</p> <p>The Council’s cumulative Dedicated Schools Grant (DSG) deficit reached £32.8m by March 2025. The overspend in centrally-held DSG budget reported to Cabinet in 2024/25 was £10.5m, compared with £8.8m in 2023/24. with annual overspends increasing year-on-year. The Council remains outside its agreed Safety Valve (SV) plan, with no SV payments received in 2024/25. We retain our Key recommendation from the prior year in this area.</p> <p>The Council has set a balanced 2025/26 budget of £151.7m based on reasonable assumptions, including £14m in savings and income, and a 4.99% council tax increase. Contingencies totalling £9.8m were included to manage risks.</p> <p>The Council’s medium-term financial strategy (MTFS) covers an appropriate period (2025/26–2029/30) and identifies a £15.3m funding gap, with £13.3m in planned savings. Financial planning includes income risks from cultural assets and parking, which underperformed in 2024/25. Governance arrangements for subsidiaries remain sound, with oversight in place. Treasury management indicators were all within limits, with £275.7m in borrowing and £32.6m in investments. Liquidity remained stable, with a minimum balance of £15.3m. The Council continues to review its MTFS annually and maintains adequate arrangements to manage financial risks.</p>	R

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
plans to bridge its funding gaps and identify achievable savings	<p>Savings delivery remains a challenge for the Council. In 2024/25 the savings target was £16.4m, of which £12.7m (77%) was delivered in full, £2.78m was mitigated by other means and the remaining £0.98m was delayed until 2025/26. In 2025/26 the Council has a savings target of £14m. The Council has introduced improved reporting on savings to Cabinet.</p> <p>The Council has a transformation programme which is contributing to the savings requirement. In 2023/24, we recommended that, to enhance the governance arrangements and savings delivered through transformation, the Council should identify and document all its transformation activities within one plan.</p> <p>The Council acknowledges that, while it has had success from transformation programmes across the organisation, it does need to enhance its approach and has committed to considering this in the context of its future operating model and local government funding reform. We understand that the Executive Director for Resources is developing a programme to combine transformation activity across the Council into a single transformation plan during 2025/26. This recommendation therefore remains outstanding at this time and we repeat this in the current year in Section 05 of this report, below. However, we do not raise any further recommendations.</p>	A
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The Council's MTFS and annual budget remain the Council's primary strategic and annual financial documents which set out the Council's anticipated position. These documents are aligned to its corporate objectives. The Council's Medium Term Financial Strategy (MTFS) is reviewed annually and was agreed by Cabinet in September 2024. At this stage the MTFS identified that £28.6m of savings would be required over the next 5 years.</p>	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The Council has arrangements to ensure its financial planning is aligned with its key strategies. The Treasury Management, Capital and Investment, and budget strategies are consistent, with no contradictions identified. The People Strategy is being updated to reflect financial pressures, including sickness absence. The Commercial Estate Strategy supports financial sustainability, though viability risks are not reflected in the MTFP. Capital programme governance is clear, with approval and prioritisation processes and a £3.8m risk reserve in place. Treasury performance remains within targets, and financial statements aligned with outturn reports.	G
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	Throughout 2024/25 the Council maintained appropriate arrangements to identify risks and take action to manage these risks, as necessary. Risks were first identified in the Medium Term Financial Strategy and Budget, and then in the quarterly budget monitoring reports to Cabinet. Management of the risks has included contingency reserves being set aside as part of the budget setting process and Directors being expected to seek compensating savings to address overspends as they occurred during the year. We have not identified any areas for improvement.	G

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability (continued)

Significant weakness identified in relation to financial sustainability

Key Finding: In 2022/23 and 2023/24, we concluded the Council did not have effective arrangements in place to manage the High Needs element of the DSG within its agreed recovery plan and identified this as a significant weakness in arrangements. We consider that this significant weakness remains in 2024/25.

Evidence: The Council has had a DSG deficit since 2019/20. In 2022/23 the Council began working with the Department for Education (DfE) as part of the Safety Valve programme and secured additional funding of £19.22m over the next seven years. The first part of this funding, £7.68m, was received in 2022/23. The aim of this original plan was to breakeven in 2028/29. However, from outset, the Council has not been able to deliver savings as required. The deficit at the end of 2022/23 was £1.53m behind plan and at the end of 2023/24 was £7.06m behind plan (cumulative deficit of £22.263m). As a result of this deteriorating position in 2023/24 the Council's Safety Valve participation was suspended, and the Council put under enhanced measures.

During 2024/25 and into 2025/26, the Council has continued to engage with the Department for Education (DfE) to agree its revised Dedicated Schools Grant (DSG) position and to resolve outstanding Safety Valve (SV) payment issues. The DfE has provided feedback, however, indicating that the Council's plans required revision and further evidence of the impact of mitigating actions, due to delays in the Council's capital programme, given the reliance on capital sufficiency work. The forecast cumulative deficit at the end of 2027/28 - when the statutory override now ends following the recent two-year extension - is £65.8m.

Impact: Whilst in theory covered by reserves at current levels, this level of DSG deficit would have a significant impact on the Council's financial resilience, should government policy require recovery of cumulative deficits once the statutory over-ride ends. There is also a cashflow impact - The Council has estimated that using average borrowing and investment rates over the period of the deficit to end of 2024/25, the estimated annual cost of financing the cumulative deficit of £32.8m in 2024/25 is c£1.6m.

Key recommendation 1

KR1: The Council should continue to work with the DfE to ensure its latest management plan is agreed. The Council should ensure that the actions within the plan are progressed whilst discussions remain in progress.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>The Council has arrangements to identify and review strategic risks through a Corporate Risk Register (CRR), which is reviewed quarterly by the Audit Committee. The CRR includes key risks such as SEND, climate, cyber security, and finance, with clear ownership and scoring. However, better practice would include reporting on target scores and more clearly distinguished controls, assurances, and gaps.</p> <p>Internal Audit arrangements are appropriate, with a flexible plan and regular reporting to the Audit Committee. The 2024/25 Head of Internal Audit Opinion was ‘Satisfactory’. While most recommendations were implemented, some critical/high-priority actions remain outstanding due to resourcing. The Council considers its follow-up process is robust, though more detailed reporting could improve transparency. Year-end reporting arrangements including for the development of the Annual Governance Statement (AGS) process, are in place. Fraud prevention and detection arrangements are adequate, with regular reporting to the Audit Committee and updated policies in place.</p> <p>These arrangements remain supported by whistleblowing and complaints policies. The Council did not undertake a staff survey as planned in 2024 due to restructuring work - but plans to undertake this in 2025. We also note the standards Committee did not meet during the year in public. While there was no evidence of weakness in respect of any individual arrangements, there was overall relatively limited evidence available for us (for example, from in-year assurances from internal audit) to form a view of the effectiveness of the arrangements in place, or over the processes for triangulation of data from these sources. The Council may wish to consider seeking more positive assurances in this area in future.</p>	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
approaches and carries out its annual budget setting process	<p>We have previously reported that the Council maintains appropriate budget-setting arrangements and no evidence has come to our attention in 2024/25 to alter this judgement.</p> <p>The Council's budget-setting process involved multiple stages, including analysis, workshops, and public consultation. The Council's 2025/26 budget was set in February 2025 and, as reported above, is for a balanced position.</p>	G
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	<p>The Council's Constitution and financial regulations clearly define roles and responsibilities for budget management, supporting effective financial control and governance throughout the year.</p> <p>Budget monitoring reports were presented quarterly to Cabinet and clearly outlined revenue, capital, DSG positions, and savings delivery. Income and savings performance were tracked, with detailed reporting included.</p> <p>Treasury Management (TM) reporting arrangements are adequate, with all indicators within target and performance reported quarterly. Interest and financing costs were £1.05m under budget.</p>	G

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	<p>The Council has a Constitution in place, dated May 2024, which provides an overview of its decision-making processes, and sets out how the Council makes decisions, how meetings are conducted and how officers of the Council must behave in performing their duties. Cabinet meetings are held throughout the year and are attended well; agendas indicate the required task for each item and minutes clearly evidence discussion and debate.</p> <p>The Corporate Policy Development and Scrutiny Panel serves as an Overview and Scrutiny Committee. Minutes show evidence of discussion and challenge. The Audit Committee handles the Councils powers and duties relating to numerous areas and meets at least four times a year. The Committee’s Workplan ensures the Committees terms of reference are appropriately delivered, and a self-assessment and evaluation of the effectiveness of the Committee was undertaken and reported during the year.</p>	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	<p>The Council’s Constitution communicates to staff what behaviours are expected of them, stating that Officers of the Council must conduct themselves in line with the Council’s HR Code of Conduct including the receiving of hospitality and gifts and the giving and receiving of sponsorship.</p> <p>The Council has a Procurement Strategy in place, which was refreshed to reflect the new Procurement Act 2023, which came into force in 2024. There was evidence that exemptions for contact standing orders received during 2024/25 were reported to the Procurement Steering Group (PSG), including the number of exemptions requested, the value, and the reason. The Council identified a need to better understand the reasons for the relatively high number and value of exemptions in the Strategic Commissioning Hub. This is in line with the Council’s response to our prior-year recommendation.</p> <p>However, we note that the PSG is an officer-only group which means that there is no clear opportunity for a member-led committee to use this information to challenge management on the effectiveness of the underlying controls, or the risks presented. We consider that adding this would improve transparency and oversight. We have consolidated our remaining recommendations, including this, in improvement recommendation 3 which applies across both the Governance and Improving Economy, Efficiency and Effectiveness reporting criteria.</p>	A

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Grant Thornton insights – learning from others

The Council has arrangements we would expect to see in respect of strategic risk reporting, but could challenge itself to go further.

What the Council is already doing

- The Corporate Risk Register (CRR) identifies risks to the Council’s objectives, aligning with organisational priorities. The CRR includes risks we would expect, for example, SEND, Climate emergency, cyber security, and financial
- Each risk includes a clear description, a named lead, an inherent and current risk score
- The CRR Corporate Risk Register is presented to the Audit Committee on a quarterly basis with an annual update reported which describes the overall Risk Management framework, although a target score is not included. Mitigations and management are detailed as a commentary.

What others do well that the Council could learn from

Best practice in strategic and enterprise risks management includes:

- Dividing commentary on mitigations to list controls and assurances (and the gaps in controls and assurances individually)
- Mapping of assurance sources against each control and action, indicating whether the assurance is internal or external, and if it is strong, partial, or absent.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	<p>Last year we raised an Improvement recommendation for the Council that, in addition to revising the list of Strategic Performance Indicators, the Council should enhance its data collection and target-setting process to ensure timely and accurate data availability for all key performance indicators, allowing for a more comprehensive and timely assessment of the Council's performance against its Corporate Strategy. Management agreed to introduce a revised quarterly performance reporting process by Q3 2024/25. Based on our review, the first time progress was reported was in the annual report to Cabinet in May 2025. The meeting minutes evidence that Cabinet members welcomed this additional transparency including around indicators that were not on track. This is a positive development.</p> <p>As May 2025 is technically outside the year under review but should be able to revisit this once we have confirmed we have able to confirm a regular quarterly progress is in place. We repeat the prior year recommendation within Annex C for completeness.</p>	A
evaluates the services it provides to assess performance and identify areas for improvement	<p>The Council has arrangements to consider and use the information provided by regulators to maintain and improve key services. The latest Ofsted inspection of the Council's in 2022 with an overall effectiveness grade of Good. The Council received a further Ofsted focused visit December 2024 with the report published in January 2025, focused on care leavers aged 18 to 25. The findings were positive and Ofsted noted that it would take the findings from this focused visit into account when planning its next inspection or visit. No significant concerns were raised by the Local Government and Social Care Ombudsman or other regulators or inspectorates during the year and we do not make any recommendations in this area.</p>	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	The Council has appropriate arrangements to ensure it delivers its role within significant partnerships, including guidance on partnership arrangements, which is reviewed annually. Key partners are engaged in the annual budget setting process and are consulted on the development of the Corporate Plan. The Council recognises the place-based nature of this Plan, and the criticality of effective partnership working with local public, private and third sector organisations. In many cases the Council has place-based leadership role, such as with Community Safety Partnership and Health and Wellbeing Board.	G
commissions or procures services, assessing whether it is realising the expected benefits	<p>Last year we raised an improvement recommendation to develop an action plan and implement the recommendations raised by the Contract Management Pioneer Programme, which included development of a contract management framework. The Council has committed to improving arrangements in this area, though this remains a work in progress. We maintain and update our improvement recommendation in this area, and we will review implementation of the proposed new contract management framework in our work next year.</p> <p>The Council experienced issues with the performance of one specific contract for the provision of its Library Management System during the year. This service is provided under a contract maintained by Libraries West, which in turn is a collaborative of seven councils, including Bath and North-East Somerset. The procurement was led by another local authority and it is not clear that the subsequent issues with contractor performance directly reflect issues with the Council's arrangements. Nonetheless, officers and the Council's Corporate Policy Scrutiny Panel have reflected on the challenges of collaborative procurement and contract management and this is an area the Council may wish to build into its programme of improvement.</p>	A

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness

Area for Improvement: contract management

Key Finding: The Council is improving procurement and contract management arrangements but this remains a work in progress.

Evidence: Last year we raised an improvement recommendations to develop a contract management framework and to report reporting waivers and breaches of to a public meeting.

The Council refreshed its Procurement Strategy during 2024/25 with a priority theme to improve contract management. There are now three workstreams to deliver the Strategy over the next year; to design, develop and implement the Contract Management Framework and provide training, to introduce a risk-based tiering of contracts using the “bronze, silver and gold”. We have seen this applied in other authorities and sectors and note this framework is aligned to Cabinet Office methodology. At present, however contract management remains decentralised.

There was evidence that exemptions for contact standing orders received during 2024/25 were reported to the Procurement Steering Group (PSG), including the number of exemptions requested, the value, and the reason. PSG is an officer-only group which means that there is no clear opportunity for a member-led committee to use this information to challenge management on the effectiveness of the underlying controls, or the risks presented.

Impact: Until a risk-based model of contract management is applied, there is a greater chance of contract performance issues not being identified or escalated in a timely manner.

Improvement Recommendation 3

IR3: The Council should:

continue to develop its central contract management capacity, to ensure all contracts are delivering the results intended from an operational, performance and commercial perspective; and
report on breaches of procurement and contract management processes to a member-led committee

Grant Thornton insight

Strengthening Contract Management and Procurement

Our national report on procurement and contract management sets out lessons learned from our VfM audits. Key findings include:

- Align contracts with priorities and the procurement strategy and include relevant performance indicators so that the corporate plan and procurement strategy can be measured and monitored.
- Maintain high level controls over the whole life of a contract, including supplier health checks and internal management resilience checks.
- Consider how contract management arrangements can protect against and identify potential fraud.

Avon Pension Fund

The Council is the administering authority for Avon Pension Fund. As part of our VfM work we are required to consider the Council’s arrangements in respect of the Pension Fund.

We considered the Pension Fund’s: Commentary on arrangements		Rating
Financial Sustainability: sufficiency of funds to meet liabilities	The Pension Fund has sufficient funds to meet liabilities. The most recent formal valuation, as at 31 March 2022, assessed the whole Fund as being 96% funded. The draft financial statements for 2024/25 indicate that the Actuary estimated the funding level to be 102% as at 31 March 2025 based on the 2022 valuation assumptions. Benchmarking against other Local Government Pension Schemes (LGPS) based on 2023/24 data indicated that the Fund had comparatively low costs compared to net investment assets (0.331%).	G
Governance: appropriateness of governance arrangements	Governance arrangements include the Avon Pension Fund Committee and the Avon Pension Board, both of which met regularly in 2024/25. The Pension Fund Committee is the decision-making committee with delegated authority, whilst the Board ensures effective governance. In 2024/25, key strategies and statements were refreshed and agreed by the Committee, like the Funding Strategy Statement and the Investment Strategy Statement. The risk register was reviewed regularly by the Fund Committee, and regular performance updates were provided within administration reports. Pooling arrangements have been discussed in exempt papers throughout the year by the Committee, and the Fund is on track to meet the deadline, with a full report and decision to be made on 26 September 2025.	
Improving Economy, Efficiency and Effectiveness: annual report findings	In 2024/25, the Fund has been working on implementing the McCloud remedy before 31 August 2025 - reports throughout the year have indicated that the Fund considers itself on track for the deadline. Additionally, the Fund has been preparing for the Pensions Dashboard and has awarded a seven-year contract for pensions administration software. The Fund are now in the process of planning implementation and connection to the Dashboard.	

- G

No significant weaknesses or improvement recommendations.
- A

No significant weaknesses, improvement recommendations made.
- R

Significant weaknesses in arrangements identified and key recommendation(s) made.

05 Summary of Value for Money Recommendations raised in 2024/25

Key recommendations raised in 2024/25

Recommendation		Relates to	Management Actions
KR1	The Council should continue to work with the DfE to ensure its latest management plan is agreed. The Council should ensure that the actions within the plan are progressed whilst discussions remain in progress.	Financial sustainability	<p>Actions: The Council has made significant progress in its conversations with the DfE and the resubmission of the Safety Valve plan. On the 21st of August 25, the DfE wrote to the Council to advise that it was satisfied that the latest Safety Valve plan had made good progress and the plan would be put forward for ministerial approval.</p> <p>The Council also continues to lobby the DfE for progress on the two special schools that have been approved but paused.</p> <p>Responsible Officer: Chris Wilford</p> <p>Due Date: Ongoing – Awaiting Government Decision</p>

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	<p><i>Recommendation held open from 2023/24 pending further evidence of implementation</i></p> <p>In order to enhance the governance arrangements and savings delivered through transformation the Council should identify and document all its transformation activities within one plan.</p>	Financial sustainability	<p>Actions: A single transformation plan is in the final stages of development, and a first draft will be produced in October with a final version adopted alongside the budget for 2026/27.</p> <p>Responsible Officer: Marc Higgins</p> <p>Due Date: 31/02/026</p>
IR2	<p><i>Recommendation held open from 2023/24 pending further evidence of implementation</i></p> <p>In addition to revising the list of Strategic Performance Indicators, the Council should enhance its data collection and target-setting process to ensure timely and accurate data availability for all key performance indicators, allowing for a more comprehensive and timely assessment of the Council's performance against its Corporate Strategy.</p>	Improvement economy, efficiency and effectiveness	<p>Actions:</p> <ul style="list-style-type: none"> • Strategic Indicators to be presented to Cabinet from Q2 2025/26 onwards • Targeted engagement with Director/Head of Service and relevant Cabinet members to increase familiarisation with appropriate performance data • Develop a strategic layer of performance reporting between strategic indicators and existing operational reports for all Directorates by Q2 2026/27 <p>Responsible Officer: Jon Poole</p> <p>Due Date: 31 December 2025 and ongoing</p>

Improvement recommendations raised in 2024/25

Recommendation		Relates to	Management Actions
IR3	The Council should:	Governance and Improvement economy, efficiency and effectiveness	Actions: The Council has made excellent progress in approving its Procurement Strategy through Cabinet in September 2024 and subsequently developing a Contract Management Framework. The framework is now in its first year of implementation and its progress is overseen by the Procurement Steering Group.
	<ul style="list-style-type: none">continue to develop its central contract management capacity, to ensure all contracts are delivering the results intended from an operational, performance and commercial perspective; andreport on breaches of procurement and contract management processes to a member-led committee.		Breaches of Procurement and contract management processes are identified through management controls and independent checking by the Corporate Procurement team and Internal Audit. We can commit to an annual update to Audit Committee on Procurement risks which would include any significant issues regarding breaches or misuse. Responsible Officer: Cheryl Hansford Due Date: First report by September 2026.

06 Follow up of previous Key recommendations

Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR1	<p>The Council should continue to work with the DfE to ensure a realistic and deliverable management plan is agreed for the increasing DSG costs. The Council should:</p> <ul style="list-style-type: none">- ensure that the actions within the plan are progressed in the intervening period while discussions remain in progress- develop a plan to address the residual deficit (£63m) to bring the Council back in balance at the end of the management plan in 2030/31.	2023/24	The DSG deficit remains a significant issues for the Council (see Financial Sustainability commentary, above)	Limited progress made	This Key recommendation has been retained, see 2024/25 KR1

Appendices

Appendix A: Responsibilities of the Council

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

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

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

The Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer 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: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council’s Value for Money arrangements

Phase 1 – Planning and initial risk assessment


As part of our planning, we assess our knowledge of the Council’s arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor’s professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

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

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council’s arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	The Council should enhance its reporting arrangements for savings to Cabinet, ensuring that all savings are accurately profiled.	2023/24	Enhanced Savings reported introduced in Cabinet budget monitoring reports from Q2 2024/25	Closed – Implemented	No
IR2	In order to enhance the governance arrangements and savings delivered through transformation the Council should identify and document all its transformation activities within one plan.	2023/24	A transformation plan is being developed with a target date in 2025/26	Ongoing	Yes – see 2024/25 improvement recommendation 1
IR3	Management should ensure that recommendations raised within Internal Audit reports are actioned within the agreed timescale.	2023/24	The HOIA annual report states follow-up of recommendations focused on critical/high-level recommendations, with most recommendations implemented within the required timeframe. We close this recommendation although the Council may wish to request more detailed reporting from the Internal Auditor in future.	Closed	No

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR4	The Council should consider how its governance arrangements could be improved to ensure that recommendations raised by External Audit are addressed in a timely manner.	2023/24	Overall, our review did indicate progress on several recommendations. We will close this recommendation although the Council may wish to request more detailed reporting on progress to implement recommendations from the Internal Audit in future.	Closed	No
IR5	The Council should consider if changing the company articles of association for Aequus would be beneficial to ensure that shareholders are updated annually in a public meeting on progress and any changes in the three-year business plan.	2023/24	We understand a range of methods are used to inform shareholders are provided with updates between formal cycles and the update report to Policy Development and Scrutiny Committee supports that.	Closed	No

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR6	In addition to revising the list of Strategic Performance Indicators, the Council should enhance its data collection and target-setting process to ensure timely and accurate data availability for all key performance indicators, allowing for a more comprehensive and timely assessment of the Council's performance against its Corporate Strategy.	2023/24	Review of the minutes of Cabinet held July 2024 show that Cabinet agreed revised KPIs to support its strategic objectives, with Officers expanding the range of indicators and adding preventative measures. We will close this recommendation once we have confirmed the quarterly reporting cycle is embedded.	Ongoing	Yes – see 2024/25 Improvement recommendation 3
IR7	The Council should develop an action plan and implement the recommendations raised by the Contract Management Pioneer Programme, which includes development of a contract management framework.	2023/24	The Council is improving procurement and contract management arrangements but this remains a work in progress.	Ongoing	Yes – see 2024/25 Improvement recommendation 3

Appendix C: Follow up of 2022/23 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR2	Going forward the Council should ensure it takes advantage of the Transformation Programme to consider service redesign and and identify savings for 2024/25 and beyond.	2022/23	This recommendation has been superseded	Closed	Yes – see 2024/25 improvement recommendation 1
IR5	The Council should ensure the risk assessment undertaken to support a member decision is included within the supporting papers. The supporting member report should also set out the key risks relating to the decision.	2022/23	Our review this year identified evidence that the Corporate Management Team (CMT) was informed in February 2024 of the issue raised by us, and that the Risk Assessment Decision Making Guidance was shared with CMT, and agreed it was appropriate. We have been informed the guidance has since been issued to all key officers.	Closed – implemented	No
IR8	The Council should improve the performance management arrangements for the Aequus Group.	2022/23	As set out above	Closed	No

Appendix C: Follow up of 2022/23 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR9	The Council should work closely with the West of England Combine Authority (WECA) to support (within its remit) the implementation of the required improvements to the governance of WECA (as set out in the Combined Authority's governance report).	2022/23	While we understand some residual governance actions remain to be completed the former Mayor has Departed and the Council's leader has now been appointed Deputy Mayor by the incoming Mayor. There is no further evidence of weakness in the Council's own arrangements in this area.	Closed	No
IR11	The Council should define its key partnerships and establish a register of key partnerships. The partnership register should include: the strategic objectives to which the partnerships contribute; and why the partnership is a significant partnership in line with the Council's definition.	2022/23	The Council does not believe that a register - whilst helpful as evidence for Audit - would add to its governance. Since this recommendation was issued for improvement purposes, there is no statutory duty for the Council to implement it and we will accept the Councils decision not to develop a partnership register and hence fully implement the recommendation.	Closed	No

Appendix C: Follow up of 2022/23 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR12	<p>The Council should consider reviewing its process for approval of contract waivers, to ensure appropriate independence.</p> <p>In order to ensure transparency and financial oversight the number and extent of waivers should be reported periodically to members at a public meeting, such as Corporate Audit Committee.</p>	2022/23	<p>A procurement annual report was shared with the Procurement Steering Group in June 2025 and detailed exemptions for contract standing orders (CSOs). Contract Standing Orders (CSO) and the exemption process have been reviewed and updated to reflect the new procurement regulations. The Council itself has noted the need to enhance its understanding of reasons for the high proportion of CSO exemptions accounted for by Strategic Commissioning.</p>	Closed	No



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