Auditor’s Annual Report

City of Bradford Metropolitan District Council – year ended 31 March 2023

November 2024

forvis mazars

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Introduction

Introduction

Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for City of Bradford Metropolitan District Council (‘the Council’) for the year ended 31 March 2023. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (‘the Code’) issued by the National Audit Office (‘the NAO’). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.

Opinion on the financial statements
We issued our audit report on 27 November 2024. Our opinion on the financial statements was unqualified.

We issued our consistency report on the financial statements within the Pension Fund's Annual Report on 27 November 2024. Our opinion was unqualified.

Wider reporting responsibilities
We will complete the work required by the NAO’s group audit instructions as soon as practicable after completing the audit of the financial statements and will report to the group auditor in line with their instructions.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No such correspondence has been received for 2022/23.

Value for Money arrangements
In our audit report issued we reported that we had completed our work on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources and had issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council’s arrangements and a summary of our recommendations.

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Audit of the financial statements

Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2023 and of its financial performance for the year then ended. Our audit report, issued on 27 November 2024 gave an unqualified opinion on the financial statements for the year ended 31 March 2023.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

The results of our opinion audit (West Yorkshire Pension Fund)

We have audited the financial statements of West Yorkshire Pension Fund ('the Pension Fund') for the year ended 31 March 2023, which comprise the Fund Account for the year ended 31 March 2023, the Net Asset Statement at 31 March 2023, and notes to the financial statements, including a summary of the significant accounting policies. Our audit report, issued on 27 November 2024 gave an unqualified opinion on the financial statements for the year ended 31 March 2023, and there were no significant matters arising from the work performed.

We also concluded that the Pension Fund financial statements within the Pension Fund's Annual Report were consistent with the Pension Fund financial statements within the Statement of Accounts of the Council and issued an unqualified consistency report on 27 November 2024.

Other reporting responsibilities

Reporting responsibility	Outcome
Annual Governance Statement	The Council revised its Annual Governance Statement during the audit. We did not identify any matters where, in our opinion, the revised governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

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Our work on Value for Money arrangements

VFM arrangements

Overall Summary

VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.

Governance - How the Council ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding or arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on pages 22 and 23.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements -** We make these recommendations for improvement where we have identified a significant weakness in the Council arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations -** We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken.

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
Financial sustainability	12	Yes – see risk 2 on page 23	Yes – see page 23	No
Governance	16	Yes – see risk 1 on page 22	Yes – see page 22	No
Improving economy, efficiency and effectiveness	19	No	No	No

VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

How the Council identifies significant financial pressures that are relevant to its short and medium-term plans

The Council's Medium Term Financial Strategy (MTFS) provides a framework, which aims to achieve a sustainable financial position over the medium-term, aligned to the Council Plan. The key principles within the MTFS are designed to:

- ensure resources are targeted on statutory and front-line services and protecting key priority services, focused on need rather than want; and
- manage demand - implementing strategies and policies that enable the Council to manage demand and enable transformation plans.

The Council's 2022/23 MTFS covered the period 2023/24 to 2025/26.

The MTFS sets out the financial context for the Council's resource allocation process and budget setting, underpinning decision-making and other plans.

As part of ensuring the consistency of the MTFS and annual budget with other plans, significant consultation is undertaken on the budget, both with internal and external stakeholders.

The MTFS includes financial projections, analysis and context to support the delivery of the Council's key priorities as set out in the Council Plan (2021-25). The MTFS is refreshed annually, to ensure decisions are based on the latest financial information. In September 2022, the Council updated the MTFS, which identified a gap of £77 million in 2023/24, £72 million for 2024/25 and £64m for 2025-26. This budget gap was predominantly driven by the ongoing impact of inflation on the Council's cost base in 2023/24. In addition, the Council also continues to face increasing demands on Children's Social Care services, with high costs for placements and reliance on agency workers. Considering the forecast gaps the budget setting process for 2023/24 commenced earlier and a twice weekly meeting of the Chief Executive's management team to focus on mitigation activities was introduced.

The annual budget setting process takes the MTFS as the starting point and updates this for any further changes in cost and income. Pressures that have been identified between the MTFS and the annual budget setting commencement can be built into the budget along with any identified mitigation to bridge the funding gap.

The Council's capital investment plan sets out the Council's long term capital programme and is underpinned by the Council's annual capital investment strategy. The Plan sets out planned spend for the following 3 years in line with the MTFS. The Capital Investment Plan for 2022/23 originally budgeted for a capital spend of £203.4 million (approved in February 2022). The Capital Investment Plan is re-profiled as new schemes are approved and existing schemes slip. The outturn position on the Capital Investment Plan for 2022/23 was £154.1m against a re-profiled plan of £197.6m.

Quarterly financial position statements are presented to the Executive, underpinned by budget monitoring within each of the Council's services, which are reported to Departmental and Council Management Teams. We have reviewed a sample of these reported and confirm that they provide a clear summary of the projected outturn and the actuals, along with supporting narrative to explain any significant changes. Whilst reports set out the implications of overspends and non-delivery of planned savings and efficiencies, they do not consistently set out appropriate actions to ensure the Council's finances support the sustainable delivery of services.

Financial performance in 2022/23

The Council set a balanced budget for 2022/23, with a planned reserve drawdown of £13.7 million and a savings target of £13.5 million. In July 2023, the Council reported it had overspent its net revenue budget by £30 million, due to higher than budgeted levels of inflation, and increasing demand and cost pressures in Children's and Adult Social Care. As a result, an unplanned drawdown of £30 million of reserves had to be used to balance the budget at the year end. In 2022/23 the Council only delivered £0.4 million of savings against a target of only £13.5 million. Given the budget already included a significant use of reserves, the failure to deliver planned savings and overspending meant that the Council's usable reserves stood at £118.2 million at 31 March 2023. This was £110 million lower than they had been at 31 March 2022.

As a result of the financial outturn in 2022/23 we reported a significant weakness in arrangements in 2021/22.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability - continued

How the Council plans to bridge its funding gaps and identify achievable savings

To set a balanced budget for 2023/24, in February 2023, full Council approved the use of a further £44.3 million of usable reserves. This was in addition to the planned use of £4.25 million of reserves for the 'City of Culture' and increasing the General Fund reserve by £3.1 million to ensure that 5% of the net budget is held as General Fund reserves. Usable reserves were therefore forecast to reduce to £68 million by 31 March 2024 (from £231.8 million at 31 March 2022), a historic low for the Council. The budget included a further £38 million of savings for 2023/24 including significant savings to be made through the management of vacant posts which will inevitably impact on Council capacity.

At quarter 1 2023/24 the Council reported a forecast overspend against budget of £13.8m, this excluded the overspend with Bradford Children and Families Trust. By quarter 2, with the inclusion of expenditure of the Trust the forecast overspend increased to £68.2 million. The Council reported its useable reserves would be used up by the end of 2023/24. In December 2023, the Council sought approval from Executive to apply to the Department of Levelling Up, Communities and Housing for Exceptional Financial Support for both 2023/24 and 2024/25. The Council indicated that without this support the Director of Finance would face issuing a section 114 notice. Exceptional Financial Support was agreed for 2023/24 of £80 million, which covered the overspend against the £453 million net revenue budget.

The Council under delivered against its savings plans in 2023/24, delivering £27.5 million of the planned £38 million in savings. The main reasons for under delivery were not fully achieving vacancy, adults demand management and libraries and museums savings The forecast under-delivery of savings had been reported from quarter 2. In 2023/24 the Council did increase its general fund reserve by £9.8m. The Council's useable reserves at 31 March 2023 stood at £93.8 million, with £39.6 million being unallocated.

The Council has set a balanced budget for 2024/25 in February 2024, balanced by £140 million in Exceptional Financial Support (EFS). Of the £140 million in EFS, £122 million is to be funded by borrowing, the remainder is planned to be funded through capital receipts. The budget includes required savings of £48.6 million the highest target the Council has ever set.

In the Quarter 1 Finance Position Statement reported in September 2024, services were forecast to overspend by £17.9 million and savings were underdelivered by £5.3 million. The service overspends were mitigated by underspending on the general fund and the use of £9.2 million contingencies which were included in the EFS request as a one-off ultimate backstop given the Council's challenges and track record.

These are a backstop only and do not help the Council's longer term financial sustainability. Reporting on delivery of savings has been updated in the quarter 1 statement, with savings being Blue, Red, Amber and Green (BRAG) rated. At quarter 1, of the £48.6 million savings target £11.7 million were ranked as Blue (delivered), £27.5 million as Green (In progress or forecast to be achieved), £4.2 million as Amber (some risks to delivery) and £5.3m as Red (risk of non-delivery/undelivered).

In July 2024, the Council undertook an initial review and update of the Medium Term Financial Strategy (MTFS). The updated MTFS forecasts that capitalisation directions will be required until 2029/30. Over the MTFS the total amount of support required is £573 million, with £126 million, £104 million and £75 million being required in 2025/26, 2026/27 and 2027/28. The MTFS also includes savings targets of £40 million for 2025-6, and £35 million in 2026/27 to 2029/30. The forecast position is reliant on the achievement of the financial plan in 2024/25 and the success of the transformation programme underway in 2024/25.

The Council's MTFS is focussed on regaining financial sustainability by 2030/31. This being necessary after a continued reliance on reserves to deliver a balanced financial position up to 2022/23 and poor track record of delivering savings targets. The achievement of the MTFS requires delivery of savings to be achieved.

How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council's processes consider both revenue and capital investment and target them to meet priorities and the desired outcomes. The Council Plan sets out seven priority areas for the Council: better skills, more good jobs and a growing economy; decent homes; good start, great schools; better health, better lives; safe strong and active communities; a sustainable district; and an enabling council.

While the revenue budget is focused on delivering statutory services, the Council's capital programme was focused on meeting the strategic priorities and objectives of the Council, and maximising service provision for residents.

Overall commentary on Financial Sustainability - continued

How the Council ensures that its financial plan is consistent with other plans

We found arrangements were consistent with previous years with the Council's budget setting process identifying the investment required to deliver the Council's priorities. The Council has an established budget timetable, and the budget setting phase involves updating the forecast and assessing financial risks to ensure the plan is consistent with other risks facing the Council. Considering the current financial position this budget setting timetable was brought forward in 2023/24 and 2024/25.

The Council's MTFS sets out the financial context for the Council's resource allocation process and budget setting, therefore, underpinning decision-making and other plans.

As part of ensuring the consistency of the MTFS and annual budget with other plans, significant consultation is undertaken on the budget, both with internal and external stakeholders.

How the Council identifies and manages risks to financial resilience

As part of the annual budget report setting, the Council's Section 151 (s151) officer sets out an assessment of the adequacy of reserves and the robustness of budget estimates. Risk factors are considered as part of this assessment, including the level of reserves, prudential and treasury indicators, and the robustness of inflationary estimates. This is underpinned by the review of reserves set out in the annual update of the Council's MTFS, which includes an estimate of projected earmarked reserves. As part of the quarterly financial position reporting process potential issues that are not factored into forecasts are identified and reported.

As part of the budget setting process the s151 officer is required to give a statement on the adequacy of the revenue estimates and the level of reserves held by the Council. In both 2022/23 and 2023/24 the s151 officer concluded that the Council's reserves were adequate for the proposed budget. Overspends in 2022/23 required an unplanned drawdown of reserves of £30 million, in total £110 million of reserves were required in 2022/23. The 2023/24 budget was based on a planned use of reserves of £44.3 million, however, in year reporting in 2023/24 identified a planned overspend against budget of £80 million which would have resulted in the Council's reserves having been depleted. As a result the Council applied for Exceptional Financial Support to balance the 2023/24 budget. This support is also required in 2024/25 to 2029/30 to balance the budget.

In 2021/22 we reported a significant weakness in arrangements in relation to financial sustainability due to the significant use of reserves to balance the Council's financial position and non-delivery of savings plans. Our work in 2022/23 has concluded there remains a significant weakness in arrangements in relation to financial sustainability and how the Council identifies and manages risks to financial resilience, plans to bridge funding gaps and identifies achievable savings to support sustainable delivery of services.

VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks

VFM arrangements – Governance

Overall commentary on Governance

How the Council monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council has approved and adopted a Code of Corporate Governance. The Council's Annual Governance Statement sets out how the Council has complied with this Code during the year. As part of our audit procedures we considered the Council's Annual Governance Statement. While these procedures confirmed the Annual Governance Statement was compliant with the Code of Corporate Governance the Council reconsidered and revised its Statement in light of its further work on the financial position. Our audit procedures confirmed the revised Statement was in line with our understanding of the Council's control environment.

The strategic risk register is considered by the Council Management Team and Executive Committee, setting out strategic and corporate risks, along with sources of assurance, both internal and external. There is appropriate challenge by Committee Members of this summary, which provides a useful overview of the many sources of evidence and various assurance activities.

We confirmed that the Governance and Audit Committee received regular updates on the Internal Audit Plan. Internal Audit reviews highlight weaknesses and recommend actions when required to strengthen processes or procedures. These are regularly reported to the Governance and Committee which holds management to account where weaknesses are identified. The Governance and Audit Committee monitors management actions in response to recommendations and this is reported on a regular basis. The Governance and Audit Committee challenges management if recommendations are not implemented within the agreed timeframe. The Chief Internal Auditor provides an independent opinion based on their work on the adequacy and effectiveness of the system of internal control which is reported to the Governance and Audit Committee annually.

How the Council approaches and carries out its annual budget setting process

The Council's MTFS arrangement includes the identification and evaluation of risks to the Council's finances The Council's approach in budget setting aims to ensure delivery of the Council's key priorities. Review of the Council Plan, MTFS and Capital Investment Strategy demonstrates that the Council focuses on investments that align with its key priorities. The MTFS includes consideration of the impact of Government funding, and demand and cost pressures on the overall financial position and identifies these as risk areas.

How the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensure corrective action is taken where needed

The Council 's budget monitoring process includes monthly updates focusing on the financial outturn position for revenue and capital. Each quarter a formal report is produced and taken to the Executive, setting out the latest forecast and identifying variances and where corrective action is required.

Our review of Council minutes confirms there was regular reporting of the financial position during 2022/23 and 2023/24. The reports detailed the in-year pressures as well as planned mitigations. The outturn positions were not significantly different to the position that has been reported quarterly to Members during each year and did not indicate a weakness in financial reporting arrangements. Forecast overspends against budget had been reported throughout both financial years.

The project plans for preparing the annual Statement of Accounts were delayed slightly in 2022/23, although drafts were available for audit when expected. The draft financial statements were published before all the valuation information was available, and consequently the draft did not fully reflect the value of the Council's land and buildings. This further information when available increased the value of the Council's land and buildings by £21 million which was reported in our completion report, split between unadjusted and adjusted misstatements. While this is a weakness in the process we don't consider it to meet the threshold for a significant weakness in the Council's arrangements.

Overall commentary on Governance - continued

How the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

We have reviewed Council reports and minutes throughout year and have not identified any evidence of a weakness in arrangements. The reports we reviewed support informed decision-making and were clear in the decision or recommendation Members were asked to make.

The Council publishes on its website a notice of key decisions. This includes officer decisions under the Officer Scheme of Delegations.

The Council has several scrutiny committees which provide an opportunity to challenge decisions. The Corporate Overview and Scrutiny Committee is in place to oversee and coordinate the work and our work identified no matters that indicate a significant weakness in arrangements.

During 2022/23 the Council made the decision to amend its policy on the minimum revenue provision (MRP). In September 2023, the then in-post S151 Officer made a delegated decision to retrospectively apply the amended MRP policy to the 2021/22 and previous periods' financial statements, having obtained an opinion from King's Counsel. The delegated decision was approved by the then in-post Chief Executive. We expressed our concerns regarding the lawfulness of the decision and obtained our own opinion from King's Counsel. The decision was reversed in late-2023 by the newly appointed Chief Executive. Our consideration of the decision-making arrangements for this decision will be within our 2023/24 value for money arrangements commentary.

During 2021/22 we identified that the Council failed to comply with the requirements of the Transparency Code. The Council did not publish details of its expenditure over £500 due to problems in extracting data from financial systems. This had been subsequently rectified, and the data made available. An other recommendation was raised in 2021/22, to ensure the Council maintains arrangements to comply with the Transparency Code in future years. This has been considered in further detail on page 18 to this report.

How the Council monitors and ensures appropriate standards are maintained

The Council's Constitution is regularly reviewed and was last updated in February 2024. It sets out how the Council operates, how decisions are made and the rules and procedures which are followed to ensure that these are efficient and transparent to local people. Supporting the Constitution are codes of conduct for Members and officers. Registers of gifts and hospitality and registers of interest are maintained for Members and officers and are available on the Council website. The Statement of Accounts records material related party transactions as well as senior officer pay and Member allowances. We considered these disclosures and compared them with the interests declared, with no significant issues arising.

We confirmed that contract procedure rules are in place and require procurement decisions to comply with appropriate standards. Contract registers are available on the Council website. There is regular reporting of treasury management activity that details the Council's investments, cash and borrowing positions. The Treasury Management Strategy was approved ahead of the 2022/23 and 2023/24 financial years and sets out the Council's measures against which treasury management can be assessed.

The measures include those designed to mitigate risk to the Council's finances and we identified no evidence to indicate a weakness in arrangements.

The Standards Committee is responsible for promoting, maintaining and advising on high standards of conduct by councillors and co-opted members.

In 2021/22 we reported a significant weakness in the Council's arrangements to address Ofsted recommendations, particularly the slow pace of change in fully addressing the weaknesses identified in Ofsted reports and monitoring letters. Our work for 2022/23 has concluded there remains a significant weakness in arrangements in relation to Governance and how the Council implements or achieves progress on recommendations as a result of previous recommendations made by both Ofsted and external audit.

VFM arrangements

Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

How financial and performance information has been used to assess performance to identify areas for improvement

Arrangements are in place to measure the quality of services, to ensure they are delivered in line with the Council's objectives and priorities and for ensuring that they provide value for money. There are performance management arrangements in place, including regular reporting to the Council Management Team and Scrutiny Committees.

Performance is monitored by the Executive Committee, including scrutiny of the Full-year Performance Report, which provides and update on the Council's annual performance. Each year the Executive Committee agree key performance indicators which are monitored and reported in the Performance Report.

As highlighted in the Financial Resilience section of this report, the Council's MTFS is used to assist the Council deliver key Corporate objectives and strategies, which is regularly reviewed by members.

Alongside the performance framework set out above, the Council also considers the output from regulators to evaluate performance and identify areas for improvement. The output from regulators feeds into the Council's overall corporate risk register, which is reported to the Governance and Audit and Committee.

How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Bradford Council Plan 2021- 2025 has been developed with key partners and sets out the long-term ambitions and priorities for the Council, across its priority areas. While the plan makes reference to partnership working, it does not explicitly confirm how these arrangements will work. However, our wider knowledge of the Council provides assurance that these arrangements are in place.

The Council is one of nine other councils, that make up the Leeds City Region, which along with private sector organisations are members of the Leeds City Region Enterprise Partnership. The partnership oversees and makes decisions about the city region's strategic economic plan.

The Council is also a constituent member of West Yorkshire Combined Authority, which in conjunction with other councils across the city region, is responsible for economic development, regeneration and transport decisions in an area.

The Council is a leading member the Health and Wellbeing Board, which brings together leaders from across the district including the Council, the NHS, the Police, Fire and Rescue, social housing and the Voluntary and Community sector, to provide strategic leadership across a wide range of health and wellbeing outcomes across the district and the wider West Yorkshire region.

The Council works in partnership with West Yorkshire Health and Care Partnership which is an 'Integrated Care System', which brings together NHS organisations, councils, charities and the community and the social enterprise sector to improve the health and wellbeing of local people across West Yorkshire.

Each year after Council has agreed the Council's budget and before commencement of the financial year the Council produces an annual procurement plan for all procurements of works, goods or services to be undertaken in the forthcoming financial year. Individual procurement plans are approved by the Chief Financial Officer before they are included in the procurement plan, which is published on the Council's website.

Based on the above considerations we have not identified any significant weakness in the Council's arrangements in relation to improving economy, efficiency and effectiveness.

VFM arrangements

Identified significant weaknesses in arrangements and our recommendations

VFM arrangements - Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements and recommendations for improvement

Our work in 2022/23 has not identified any additional significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness it its use of resources. However, significant weaknesses identified in 2021/22 remain significant weaknesses for 2022/23. The details of these are set out on the following pages.

VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in the prior year

As part of our 2021/22 audit work, we identified the following significant weaknesses, and made recommendations for improvement in the Council's arrangements to secure economy, efficiency and effectiveness it its use of resources. These identified weaknesses have been outlined in the table below, along with our view on the Council's progress against the recommendations made, including whether the significant weakness is still relevant in the 2022/23 year.

	Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
1	**Progress in addressing weaknesses identified by Ofsted's 2018 inspection of Children's Services** In 2018 Ofsted assessed children's services as 'Inadequate'. In response to Ofsted's recommendations, the Council developed an action plan to address the issues highlighted by Ofsted. Since the 2018 visit, Ofsted has made several follow-up monitoring visits, and issued Monitoring Letters, summarising their views on progress to-date. In December 2020 Ofsted undertook a focused visit, (reported in February 2021) and shortly after completed a further monitoring visit in April 2021 (reported in June 2021). Ofsted's Monitoring Letters, issued after these visits, highlighted that whilst the Council had made improvements concerns remained about the pace of improvement since they issued their 2018 inspection report. In particular, Ofsted recommended that the Council needed to improve in the following key areas: workforce challenges, including oversite and workforce instability; poor working practices, including high caseloads and ineffective planning; and effectiveness of corporate parenting. The Council recognises that a failure to address the weaknesses identified in the 2018 Ofsted report and subsequent Monitoring Letters adversely impacts upon the quality of services provided to service users and may lead to further action by regulators.	Governance	In order to fully address ongoing concerns expressed by Ofsted in its 2018 Report and subsequent Monitoring Letters, the Council should continue to improve its arrangements and implement its action plan. The Council should also ensure that robust monitoring and reporting processes are strengthened, and that challenge, scrutiny and escalation arrangements drive the required improvements for service users and sustain the progress made to-date in implementing the actions to address the issues raised by Ofsted.	In January 2023 Ofsted issued a report into Children's Services in Bradford, following an inspection in November and December 2022. This rated the service as 'inadequate' in all four areas. Monitoring visits have taken place in July 2023, November 2023, February 2024, and May 2024. The reports from visits have noted improvements being made in the service, however, do not remove the inadequate rating. In our view the progress made by 31 March 2023 does not fully address the recommendation.	Based on the most recent Ofsted report, subsequent Ofsted monitoring visits and the delay in establishing the Children's Trust which only started on 1 April 2023, this significant weakness remains in place.

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VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in the prior year - continued

	Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
2	**The Council's financial position** In 2021/22 the Council delivered £3.3 million of savings out of an identified amount of £14.3 million needed to balance the budget, with the balance carried forward to be delivered in 2022/23. Usable reserves also reduced by £24.7 million, a 9.6% decrease. Whilst the Council set a balanced budget for 2022/23, with a planned reserve drawdown of £13.7 million, in July 2023, the Council reported it had overspent its net revenue budget by £30 million, due to inflation, and increasing demand and cost pressures in Children's and Adult Social Care. As a result, an unplanned drawdown of £30 million of reserves had to be used to balance the budget at the year end. In addition, only £0.4 million of savings were delivered against a target of £13.5 million. Given the budget already included a significant use of reserves, the failure to deliver planned savings and overspending meant that the Council's usable reserves stood at £118.2 million at 31 March 2023, £110 million lower than they had been at 31 March 2022. Reliance on usable reserves continues to play a significant part in balancing the budget during the period of the Medium Term Financial Plan. These reserves are already depleted through inflation and cost and demand pressures. The Council predicts that usable reserves will be exhausted by the end of 2023/24 . This has led to the Council requesting Exceptional Financial Support from the Department of Levelling Up, Communities and Housing to enable the Council to set a balanced budget in both 2023/24 and 2024/25. The Council has indicated that without this support the Director of Finance will face issuing a section 114 notice. In our view the matters identified above are evidence of a significant weakness in the Council's arrangements for financial sustainability (how the Council identifies and manages risks to financial resilience, plans to bridge funding gaps	Financial sustainability	The Council needs to develop and implement sustainable financial plans to ensure services can be provided within available resources. As part of this, sufficient information should be provided to Members so they can monitor the delivery of planned savings.	In 2022/23 an unplanned use of reserves was required to balance the budget. In 2023/24 a balanced budget was set based on a further draw on reserves of £44.3 million and planned savings of £38 million. In December 2023, an application was made to the Department of Levelling Up, Communities and Housing for Exceptional Financial Support (EFS). To balance the 2023/24 budget £80 million in EFS was required. To set a balanced budget for 2024/25 EFS of £140 million was required. The financial position reported at quarter1 2024/25 forecasts that the full £140 million will be required for the year. The Medium Term Financial Strategy refresh in July 2024 indicates that EFS will be required until 2029/30, of £126.2 million, £104.5 million, £75.2 million, £43.4 million and £3 million, respectively. In our view the progress made by 31 March 2023 does not fully address the recommendation.	On the basis of the outturn position for 2022/23, 2023/24, forecast outturn for 2024/25 and Medium Term Financial Strategy update undertaken in July 2024, the significant weakness remains for 2022/23.

VFM arrangements – Prior year significant weaknesses and recommendations

Progress against other weaknesses and recommendations made in the prior year - continued

	Previously identified other weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
1	**Compliance with the Transparency Code** During 2021/22 the Council failed to comply with the requirements of the Transparency Code. The Council did not publish details of its expenditure over £500 due to problems in extracting data from financial systems. The Council maintains arrangements to comply with the Transparency Code in future years.	Governance	The Council should maintain arrangements to comply with the Transparency Code in future years.	The published transaction data up to and included June 2024 has been reported as at October 2024.	In our view this recommendation has been addressed.

04

Other reporting responsibilities

Other reporting responsibilities and our fees

Other reporting responsibilities

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data.

We will complete our work and make our submission to the NAO when the signed financial statements are received.

Appendices

A: Further information on our audit of the financial statements

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	**How we addressed this risk** We addressed this risk through performing audit work over: • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements. **Audit conclusion** Our audit work is complete, and we have not identified any matters to bring to your attention.

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings - continued

Risk	Our audit response and findings
Valuation of property, plant and equipment and investment properties Council dwellings, infrastructure assets, other land and buildings were the Council's highest value assets totalling £809.8 million (£826.0 million in 2020/21). The balance sheet also included investment properties totalling £51.9 million (£46.1 million in 2020/21). Per the CIPFA Code, each of these class of asset requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. Management engages its own Valuer as an expert to assist in determining the fair value of land and buildings to be included in the financial statements but there remains a high degree of estimation uncertainty associated with the valuation of land and buildings due to the significant judgements and number of variables involved.	**How we addressed this risk** We evaluated the design and implementation of any controls which mitigate the risk. This included liaising with management to update our understanding on the approach taken by the Council in its valuation of land and buildings and investment properties. We: • assessed the scope and terms of engagement with the Valuer; • assessed the competence, skills and objectivity of the Valuer; • tested the accuracy of the data used in valuations; • challenged the Council and Valuer's assumptions and judgements applied in the valuations; • reviewed valuation methodology used, including the appropriateness of the valuation basis; and • considered the reasonableness of the valuation by comparing the valuation output with market intelligence. **Audit conclusion** **Council dwellings**: We identified one asset where the Social Housing Factor had not been applied to the valuation of the property. As a result the asset value was overstated by £6,374k. The financial statements have been updated in this respect. **Other land and buildings**: Testing of assets valued on a Depreciated Replacement Cost (DRC) basis identified assets were understated by £1,891k. The effective date of valuation for these assets is 1 April 2022 but they hadn't been updated for the indexation movement between 1 April 2022 and 31 March 2023. As this testing was on a sample basis the overall extrapolated understatement is £6,323k. The Council have not adjusted the financial statements in this respect. Our testing on assets valued on a DRC basis but not valued in year identified there had been a significant movement in the BCIS index across the Council's DRC asset portfolio. The net impact being that DRC assets not valued in year were materially understated. Primary schools are the most significant group of assets within the Council's DRC portfolio therefore the Council opted to revalue primary schools and amend the accounts for these valuations in 2022/23. The value of primary schools increased by £12,587k. The remaining DRC asset portfolio is no longer materially misstated. The financial statements have been updated in this regard. The Council consider the movement in the BCIS index and the potential impact on valuations, however for 2022/23 this review was delayed and considered only the percentage movement, not the actual movement in value. The only exception was schools where the impact on value has been calculated but determined not to be material. The draft accounts were published before the Council had received the valuation of thirty properties. The net impact of these valuations was an understatement of the Property, Plant & Equipment balance of £2,366k. The financial statements were not updated to reflect the outcome of the valuations. This has been reported as an unadjusted misstatement. **Investment properties**: The draft accounts were published before the Council had received the valuation of twenty-nine investments properties. The financial statements were not updated to reflect the outcome of the valuations, resulting in the value of investment properties being understated by £4,216k.

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings - continued

Risk	Our audit response and findings
Net defined benefit pension asset/liability valuation The net defined pension asset represents a material element of the Council balance sheet. The Council administers the West Yorkshire Pension Fund, which had its last triennial valuation completed as at31 March 2022. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuations. There are financial assumptions and demographic assumptions used in the calculation of the valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year or updated to reflect any changes. There is a risk that the assumptions and methodology used in valuing the pension obligations are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the Council net pension asset/ liability in 2022/23. The Council has accounted for a net Pension Asset in 2022/23. The pension asset is a complex calculation which incorporates a number of accounting standards including IAS19 and IFRIC 14, as well as a requirement to calculate a pension asset ceiling. This is the first time this accounting will have been undertaken.	**How we addressed this risk** We addressed the risk by: • Critically assessing the competency, objectivity and independence of the West Yorkshire Pension Fund's Actuary; • Liaising with the auditors of the West Yorkshire Pension Fund to gain assurance over the design and implementation of controls in place at the Pension Fund. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; • Reviewed a summary of the work performed by the Pension Fund auditor on the Pension Fund investment assets, and evaluating whether the outcome of their work would affect our consideration of the Council's share of Pension Fund assets; • Obtained assurance from the West Yorkshire Pension Fund auditor in relation to the data used for the triennial valuation. • Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and • Agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements. **Audit conclusion** As a result of our work an amendment has been made to the financial statements. The pension asset in respect of the funded LGPS had been disclosed separately to the unfunded net liability position in relation to unfunded schemes on the face of the balance sheet. The balance disclosed in the balance sheet has been updated to reflect the net asset in respect of the LGPS funded and unfunded schemes and the net liability in respect of the unfunded teacher's scheme.

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings - continued

Key area of management judgement	Our audit response and findings
Revenue Expenditure Funded by Capital Under Statue (REFCUS) This expenditure is accounted for as capital expenditure and is charged to the General Fund over time rather than in the year of expenditure. There is a risk that revenue expenditure is misclassified REFCUS understating the expenditure charged in year.	**How we addressed this risk** We undertook sample testing of REFCUS expenditure in the financial statements at an enhanced risk level. **Audit conclusion** Our work is complete, and we have no matters to report.
Capital expenditure There is a risk that revenue expenditure is incorrectly classified as capital expenditure, understating the revenue expenditure charged in the year.	**How we addressed this risk** We undertook sample testing of capital additions in year at an enhanced risk level. **Audit conclusion** Our work is complete, and we have no matters to report.

Appendix A: Further information on our audit of the financial statements

Summary of uncorrected misstatements

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
Dr: Property, plant and equipment			6,323	
Cr: Revaluation reserve				6,323
Our testing of DRC valuations identified asset values had not been updated to reflect the movement in BCIS from the date of valuation to the year end. The value of assets in our sample were understated by £1,891k. To comply with our audit approach, we extrapolated the error over the remaining untested population to estimate the impact on the balance. The extrapolated error is an understatement in the value of PPE of £6,323k.				
Dr: Property, plant and equipment			2,366	
Dr: CIES Cost of services - Expenditure	2,249			
Cr: Revaluation reserve				4,615
Thirty assets within the PPE balance were subject to late valuation, as the net impact of the valuation was not material the financial statements were not updated to reflect the change in values. The assets subject to late valuation are understated by £2,366k in the financial statements.				
DR: CIES Cost of services - Expenditure	7,905			
Cr: Property, plant and equipment				7,905
An asset purchased in 2022/23 is recorded in the financial statements at its purchase price (historical cost) of £16,465k. We considered the value of this asset as part of our audit work and concluded that the asset value was overstated by £7,905k.				

Appendix A: Further information on our audit of the financial statements

Summary of uncorrected misstatements

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
Dr: Investment properties Cr: Financing and investment income and expenditure Twenty-nine assets within the Investment Property balance were subject to late valuation, as the net impact of the valuation was not material the financial statements were not updated to reflect the change in values. The assets subject to late valuation are understated by £4,216k in the financial statements		4,216	4,216	
Dr: CIES Cost of services - Expenditure Cr: Property, plant and equipment The Council have identified two properties within its portfolio that include RAAC as part of their construction. This has resulted in the value of the asset being impaired as a result of the asset not being fully in use. The value of the impairment has been calculated by the Council but has not been recorded in the financial statements, therefore the value of PPE is overstated by £3,597k.	3,597			3,597
Dr: CIES Cost of services - Expenditure Cr: Useable reserves - General fund The Council changed the treatment of the Regional Investment Fund from being REFCUS expenditure to a long-term investment. We reviewed the journal entries made to post this adjustment to the ledger. One of the journal adjustments had reduced REFCUS expenditure within Cost of Services in the CIES. This adjustment was incorrect as the adjustment should have only impacted the balance sheet. This has resulted in Cost of Services Expenditure being understated by £3,475k.	3.475			3,475

Appendix A: Further information on our audit of the financial statements

Summary of uncorrected misstatements

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
Dr: Pension reserve			4,200	
Cr: Defined pension scheme asset				4,200
Our audit of the pension fund financial statements identified that investment assets were understated by £29,862k. The understatement of assets results in an understatement of the Council's IAS 19 pension asset. The Council's share of this understatement is £4,200k.				

Internal control observations

We reported five internal control recommendations from our audit work, all were agreed by management with action plans to address the weaknesses. Of the two recommendations we made in previous year's audits, one recommendation had been addressed during 2022/23 and one remained to be addressed.

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