Auditor’s Annual Report

City of Bradford Metropolitan District Council– year ended 31 March 2024

February 2025

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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 2024. 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 February 2025. Our opinion on the financial statements was unqualified.

Value for Money arrangements
In our audit report we reported that we were not satisfied arrangements were in place for the Council to secure economy, efficiency and effectiveness in its use of resources, this is because we issued recommendations in relation to significant weaknesses in those arrangements that are relevant to the 2023/24 financial year. Section 3 provides our commentary on the Council's arrangements and a summary of our recommendations and the weaknesses identified.

Wider reporting responsibilities
While the group instructions were issued in September 2024 by the National Audit Office in respect of our work on the Council's WGA submission, we are awaiting further instruction on non-sampled components. We have submitted the Assurance Statement on 27 February 2025.

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Audit of the Council’s financial statements

Audit of the Council’s financial statements

Our audit of the Council’s financial statements

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 2024 and of its financial performance for the year then ended. Our audit report, issued on 27 February 2025 gave an unqualified opinion on the financial statements for the year ended 31 March 2024.

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.

Qualitative aspects of the Council’s accounting practices

Draft accounts were received from the Council’s on 16 August 2024, however these financial statements were incomplete and did not include all valuation information in respect of property, plant and equipment and investment properties. The financial statements were subsequently updated in November 2024 to reflect the valuation for other land and building assets, but these accounts still did not reflect the valuation of investment property assets.

Working papers to support the audit, except for the valuation data for other land and building and investment property assets, and the Council’s consideration of assets that have not been formally valued were provided in September 2024.

Significant difficulties during the audit

There have been significant delays in the provision of valuation information in respect of other land and buildings and investment property assets. This delayed the start of our work in relation to valuations. We have also experienced difficulties in obtaining the required evidence to support a sample of valuations from the external valuer, resulting in multiple requests for information.

Reporting responsibility	Outcome
Narrative Report	We did not identify significant inconsistencies between the content of the annual report and our knowledge of the Council.
Annual Governance Statement	We did not identify any matters where, in our opinion, the 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 officers

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 16, 24 and 25.

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's 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 outcome 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	12-14	Yes – see page 25	Yes – see recommendation page 25	No
Governance	16-19	Yes – see risk on page 16 and 24	Yes – see recommendation page 24	Yes – see recommendation on page 19
Improving economy, efficiency and effectiveness	21	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 the framework 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 2023/24 MTFS covered the period 2024/25 to 2026/27.

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 at least annually, to ensure decisions are based on the latest financial information. In November 2023, the Council updated the MTFS, which identified a gap of £71.4 million in 2024/25, £48.4 million for 2025/26 and 50.7m for 2026-27. This budget gap was predominantly driven by increasing costs of Bradford Children and Families. The Council included details in the report of action that were being taken to address the gap and set out that the Council needed to produce and implement an improvement plan. In December 2023, following the appointment of a new Chief Executive and new Director of Finance the Council made an application for Exceptional Financial Support (EFS) to support the budget for 2023/24 and to allow the Council to set a balanced budget for 2024/25.

A further refresh of the MTFS was reported in July 2024, in this refresh the achieving a balanced position it was forecast the EFS would be required until 2029/30, of £126.2 million, £104.5 million, £75.2 million, £43.4 million and £3 million, respectively. The Council's latest estimate of the MTFS which formed the basis of 2025/26 budget setting, forecast that EFS would be required up to 2028/29, with £127m in 2025/26, £119m in 2026/27, £81m in 2027/28 and £42m in 2028/29. This is a reduction over earlier estimates of the EFS required reported in July 2024 due to the impact of the final Local Government Finance Settlement, a 2025/26 referendum limit for Council Tax of 9.99% and internal reviews of savings levels and cost estimates.

As reported to the Council's Executive during 2024/25, the Council is transitioning to a rolling development and review of the MTFS to present Members with updated estimates of its Capitalisation Direction, progress on savings identification and revisions of cost estimates. In 2024/25, the Executive were presented with updates on the MTFS and CD in July, savings proposals in November and December, a revised CD and projection of recovery period in January 2025 and in March 2025 the final proposed CD and budget for 2025/26 will be tabled.

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 2023/24 originally budgeted for a capital spend of £245 million (approved in February 2023). 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 2023/24 was £258.7m against a re-profiled plan of £303.3m.

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. The reports set out the implications of overspends and non-delivery of planned savings and efficiencies, and during 2024/25 they began to consistently set out appropriate actions to ensure the Council's finances support the sustainable delivery of services.

Financial performance in 2023/24

The Council set a balanced budget for 2023/24, with a planned reserve drawdown of £44.3 million and a savings target of £38 million. 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 in principle for 2023/24 of £80 million. With the use of the capitalisation direction the Council delivered a balanced budget and was able to contribute an additional £9.8m to general reserves to provide additional resilience for future years.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

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

The Council set a balanced budget for 2024/25 in February 2024, balanced by £120 million in Exceptional Financial Support (EFS). Of the £120 million in EFS, £87 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 had.

The quarter 2 financial position statement, presented to Executive in November 2024, included a forecast overspend against budget of £13.8 million, this was down from the £17.9 million reported at quarter 1. The overspends were driven predominantly by adult social care, the department of place and children's services. Within the projections, the Council are still forecasting that they will achieve a breakeven position by the year end.

Reporting on delivery of savings has been updated in the quarter 2 statement, with savings being rated Blue, Red, Amber and Green (BRAG) rated. At quarter 2, of the £48.6 million savings target £15.1 million were ranked as Blue (delivered), £26.5 million as Green (In progress or forecast to be achieved), £4.1 million as Amber (some risks to delivery) and £3 million as Red (risk of non-delivery/undelivered). Although there is still work to deliver the savings, these projections represent a significant increase in savings delivery from previous years.

In July 2024, the Council undertook an initial review and update of the Medium Term Financial Strategy (MTFS). The updated MTFS at this point forecasted that capitalisation directions totalling £573m would be required until 2029/30. This update assumed MTFS savings targets of £40 million for 2025/26, and £35 million in each year from 2026/27 to 2029/30. The forecast position was reliant on the achievement of the financial plan in 2024/25 and the success of the transformation programme underway in 2024/25. As at January 2025, based on updated information from the Local Government Finance Settlement, internal reviews and modelling of a bespoke referendum limit of 9.99%, the capitalisation direction is now estimated at £570m based on targeted savings of £50m per year from 2026/27.

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 identifying and delivering required savings targets to deliver services within the available financial resources.

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.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – 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. When setting the 2024/25 budget the s151 officer concluded the overall estimates were sufficiently robust for the Council to set a balanced budget for 2024/25. The assumptions underpinning that included current and planned actions being successfully concluded, the Government supporting the Council with a capitalisation direction and the recommendations in the report being actioned in full.

In 2022/23 we reported a continued 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 2023/24 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

Risks of significant weaknesses in arrangements in relation to Governance

We have outlined below the risk of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of the risk.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
Decision making in relation to Minimum Revenue Provision In setting the budget for 2023/24 the Council amended its Minimum Revenue Provision policy. During 2023/24 the Council took an officer delegated decision to apply the change in MRP policy retrospectively to earlier financial years. In our view the retrospective application of changes to MRP policies was not permitted by the statutory guidance. Subsequently the Council reversed its decision. As a result we identified a risk of significant weakness in the Council's decision-making governance arrangements.	**Work undertaken** Our work included: • Reviewing the decision-making process in relation to the retrospective application of the change in MRP policy to earlier financial years. • Considering the information available to support the decision, the consultations undertaken in advance of the decision, and the reporting to members. • Reviewing the Council's arrangements in respect of the decision. **Results of our work** There is a delegated decision record published on the Council's website in respect of the decision to retrospectively apply the MRP policy to earlier financial years. The delegated decision was signed on 21 September 2023 by both the Director of Finance and the Chief Executive in post at the time. Within the decision record the decision was not identified as a 'key decision'. The Council's procedures highlight that a key decision includes those that will result in expenditure or savings with a full year effect of more than £250,000. The impact of the decision on the financial statements for 2021/22 was a saving of approximately £23m. We have not been provided with additional evidence to support the conclusion this was not a key decision. The Council's Constitution sets out the requirements for Key Decisions and permitted exemptions. The delegated decision does not have additional evidence contained to support compliance with the Constitution in this regard. The decision record details the decision as having been delegated by Full Council on 17 February 2022 in reference to minute 1(5) which was "T*hat in preparing the Final Accounts for 2021/22 the s151 Officer be empowered to take appropriate steps to secure the best advantage for the Council's financial position*". The decision record states there was consultation with the Leader of the Council and the Chair of Governance and Audit Committee. The minutes of meetings confirm a verbal update was provided to Governance and Audit Committee in June 2023 which stated that the 2021/22 accounts remaining open presented an opportunity for some changes to the in-year MRP position to be made and that favourable legal advice had been obtained on the proposal.

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VFM arrangements – Governance

Risks of significant weaknesses in arrangements in relation to Governance - continued

Risk of significant weakness in arrangements	Work undertaken and the results of our work
Decision making in relation to Minimum Revenue Provision - continued	The Council obtained Kings Counsel legal advice in May 2023 that it was permissible to retrospectively apply the 2022/23 MRP policy to earlier financial years. Further advice was sought in July 2023 as to whether the decision to retrospectively apply the policy could be determined by the Council’s Section 151 Officer under delegated powers. The opinion received was that it was lawful to do so. From the evidence we have obtained and reviewed, detailed reports were not presented to Council or Governance and Audit Committee in relation to the potential impact to the Council of the delegated decision. Following discussions with the Director of Finance, and on the basis of concerns over the legality of retrospective application of the policy, we obtained our own Kings Counsel advice relating to the retrospective application and this advice concluded that retrospective application of MRP to earlier years was contrary to the statutory guidance. Following the appointment of a new Chief Executive and Director of Finance the delegated decision was reversed and the Council did not apply the change to the MRP policy retrospectively. **Conclusion** Based on our review we conclude there was a weakness in the governance arrangements but we do not consider this to be a significant weakness in relation to this decision. In respect of this decision there are weaknesses in the audit trail and documentation available to support such a significant decision. In our view comprehensive documentation would provide evidence the Council considered all aspects of the decision, including discussions and advice from all statutory officers including the monitoring officer, the risks inherent in the decision, contrary evidence that existed in respect of the compliance with statutory guidance, and the judgements the officers exercised in reaching their decision. The Council should ensure evidence and documentation supporting significant decisions is retained.

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. Our audit procedures confirmed the 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 the Governance and Audit Committee received regular updates on the Internal Audit Plan. Internal Audit reports include control weaknesses and recommend actions to strengthen controls. These are regularly reported to the Governance and Committee. 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. The Head of Internal Audit gave a limited opinion for 2023/24 on the balance of the work of internal audit and other external review agencies. The work of the internal audit team provided reasonable assurance across the areas that were covered by their work. The limited opinion reflects the Council's assessment of evidence from the work of external agencies such as CIPFA in the Best Value Review and OFSTED in their inspection. The Council is working on improvements to the effectiveness of the systems of internal control.

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 2023/24 and 2024/25. 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 in 2023/24. Draft financial statements were provided to external audit in August 2024 however these statements were prepared before the Council had received all of the valuation of land & buildings and Investment Property information. Consequently, the draft statements did not fully reflect the correct value of the Council's land and buildings and investment properties. This further information when available reduced the value of the Council's land and buildings by £89 million and investment properties by £18m. The Council should ensure its closedown plans to produce its financial statements build in sufficient time to obtain and review valuation reports. While this is a weakness in the Council's arrangements we have concluded it is not a significant weakness. We have however raised an other recommendation in relation to this.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - 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 2023/24 there was a delegated decision taken by the then S151 Officer, the decision being to retrospectively apply the MRP policy to earlier financial years. We have identified this as a risk of significant weakness in arrangements in respect of 2023/24 and completed additional procedures to consider whether there was a significant weakness in arrangements. Our commentary in relation to this can be seen on page 39 of this report. We have concluded that while there were weakness in the arrangements these were not indicative of a significant weakness.

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 2023/24 and 2024/25 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 2022/23 we reported a continued 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 2023/24 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.

Other recommendation	
Draft financial statements provided to audit in August 2024 were not fully complete. They were prepared before the Council had received all of the valuation information in relation to land & buildings and Investment Property. This further information when available reduced the value of the Council's land and buildings by £89 million and investment properties by £18m.	The Council should deliver a closedown plan to produce complete draft financial statements by the statutory deadline, including setting a timetable for receipt of valuation reports to facilitate the meeting of the deadline.

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 2023/24 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 2022/23 remain significant weaknesses for 2023/24. 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 a prior year

As part of our audit work in previous years, 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 2023/24 year.

	Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Progress and action taken	Overall conclusion
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.	From 1 April 2023 the provision of Children’s Social Care and Early Help Services was transferred to Bradford Children and Families Trust (BCFT). The Council maintain statutory responsibility for provision of Children’s Services. Through 2023/24 BCFT have monitored and reported progress against the Children’s Services Improvement Plan and from Q4 2023/24 reported progress via the Children and Families Plan. Review of Improvement Progress Reports has noted improvements have been made but not all actions have yet been delivered. Since the most recent inspection report, published in January 2023, monitoring visits have been completed in July 2023, November 2023, February 2024 and May 2024. The monitoring visit reports note improvements have been made but do not remove the ‘inadequate’ rating. In our view the progress made by 31 March 2024 does not fully address the recommendation.	Based on the most recent Ofsted report and subsequent Ofsted monitoring visits, although improvements are being made, 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 a prior year - continued

	Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Progress and action taken	Overall conclusion
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 2023/24 a balanced budget was set based on a draw on reserves of £44.3 million and planned savings of £38 million. However by quarter 2 the Council was forecasting a £68.2 million overspend against budget and did not have adequate reserves available to support the overspend. 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. This has subsequently been revised to £120m. The Medium Term Financial Strategy refresh in January 2025 indicates that EFS will be required until 2028/29, of £127 million, £119 million, £81 million, and £42 million respectively. In our view the progress made by 31 March 2024 does not fully address the recommendation. We note that in March 2024 the Council agreed a financial strategy to address these issues going forward which has taken effect in 2024/25.	On the basis of the outturn position for 2023/24, forecast outturn for 2024/25 and Medium Term Financial Strategy updates the significant weakness remains for 2023/24.

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04

Other reporting responsibilities

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 received one notice of objection from an elector relating to 2023/24. Following our review of eligibility under the Local Audit & Accountability Act 2014 we determined the objection was not eligible and we communicated this outcome to the elector.

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 submitted this information to the NAO on 27 February 2025.

05

Audit of West Yorkshire Pension Fund

Audit of West Yorkshire Pension Fund

Summary of key information

As the auditor for West Yorkshire Pension Fund (‘the Pension Fund’), 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’). This section of the AAR summarises how we have discharged these responsibilities and the findings from our work we have undertaken as the Pension Fund auditor for the year ended 31 March 2024.

Opinion on the Pension Fund financial statements
We issued our audit report on 27 February 2025. Our opinion on the financial statements was unqualified.

Consistency report
We concluded that the Pension Fund financial statements within the Pension Fund’s Annual Report are consistent with the Pension Fund financial statements within the Statement of Accounts of City of Bradford Metropolitan District Council.

Wider responsibilities
We have not exercised any of these powers as part of our West Yorkshire Pension Fund’s 2023/24 audit.

Significant difficulties during the audit
During the course of the audit, we did not encounter any significant difficulties, and we have had the full co-operation of management.

While not a significant difficulty we did experience delays in responses being provided by the finance team which resulted in out audit taking longer than planned. We also encountered delays in obtaining third party confirmations of bank balances. This was due to delay in the pension fund providing authorisation to the bank to release this information. Addressing both of these matters in future year’s audits will help the audit be completed and concluded in a more timely manner.

Risks, misstatements and internal control recommendations
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 B. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Appendices

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

Significant risks and audit findings

As part of our audit of the Council, we identified significant risks to our opinion on the financial statements 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	**Our response** We addressed the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual. **Our findings** Our audit work is complete and we have no matters to bring to your attention

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

Significant risks and audit findings (continued)

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

Risk	Our audit response and findings
Valuation of defined benefit pension assets and liabilities **Liabilities £54,075k (2023/24) Assets £107,092k (2023/24)** 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 at 31 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 2023/24. The pension scheme is expected to be in surplus in 2023/24. 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.	**Our response** We addressed the risk by: Obtaining and understanding of the skills, experience, objectivity and independence of the Pension Fund’s actuary; Obtaining confirmation from the auditors of West Yorkshire Pension Fund that the Pension Fund have designed and implemented controls to prevent and detect material misstatement. This will include 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; Evaluating and challenging the work performed by the Pension Fund auditor on the Pension Fund investment assets, and considering whether the outcomes would materially impact our consideration of the Council’s share of Pension Fund assets; Reviewing the actuarial allocation of Pension Fund assets to the Council including comparing the Council’s share of the assets to other corroborative information; Reviewing 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 will include comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; Agreeing 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; Reviewing and challenging the Council’s assessment, under the requirements of IFRIC14, of its Pension surplus confirming that the accounting treatment is appropriate and reasonable; and Considering the treatment of pension liabilities in respect of Bradford Children’s and Family Trust **Our findings** There were no matters arising from the work we performed.

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

Significant risks and audit findings (continued)

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

Risk	Our audit response and findings
Valuation of land & buildings and investment property **Land and Buildings £668,806k (2023/24) Investment Property £50,935k (2023/24)** Council dwellings and other land and buildings are the Council’s highest value assets totalling £594.5 million (£581.5 million in 2022/23). The balance sheet also included investment properties totalling £50.9 million (£51.3 million in 2022/23). 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.	**Our response** 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. Our work included: • assessing the scope and terms of engagement with the Valuer; • assessing the competence, skills and objectivity of the Valuer; • testing the accuracy of the data used in valuations; • challenging the Council and Valuer’s assumptions and judgements applied in the valuations; • reviewing valuation methodology used, including the appropriateness of the valuation basis; and • considering the reasonableness of the valuation by comparing the valuation output with market intelligence. **Our findings** The draft financial statements submitted to audit did not include the full outcome of valuations completed in year by the Council's valuer as a result of delays in receiving the valuations. These valuations have reduced the value of other land and buildings by £89m and reduced the value of investment Properties by £17m. Our audit identified other immaterial mis-statements in the valuation of land and buildings which were not adjusted by the Council.

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

Significant risks and audit findings (continued)

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

Key area of management judgement	Our audit response and findings
Group consolidation The Council have produced group accounts for the first time in 2023/24. The determination of components requiring consolidation, and the adjustments made on consolidation require a degree of judgement.	**Our response** We have • Reviewed the Council’s Group consolidation process. • Reviewed the Council’s judgements relating to the entities that are not consolidated into the Group Financial Statements. • Reviewed the method of consolidation of the consolidated group entities into the Group Financial Statements. • Agreed the consolidated financial information to supporting evidence from the component financial statements. **Our findings** We have completed our work in respect of capital expenditure and have no matters to bring to your attention.
Capital Expenditure There is a risk that revenue expenditure is incorrectly classified as capital expenditure, understating the revenue expenditure charged in the year.	**Our response** We tested a sample of capital additions to ensure that the expenditure had been correctly capitalised. **Findings** We have completed our work in respect of capital expenditure and have no matters to bring to your attention.
Revenue Expenditure Funded by Capital under Statute (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 as REFCUS understating the expenditure charged in year.	**Our response** We tested a sample of REFCUS expenditure to ensure that the expenditure ha been correctly classified. **Findings** We have completed our work in respect of capital expenditure and have no matters to bring to your attention.

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

Summary of uncorrected misstatements for the Council

We reported six unadjusted audit misstatements as part of our completion reporting. The cumulative impact of these adjustments was immaterial to the financial statements.

Internal control observations

We reported three internal control recommendations from our audit work, all were agreed by management with action plans to address the weaknesses. Of the eight recommendations we made in previous year’s audits, four recommendations had been addressed during 2023/24 and four remained to be addressed.

Appendix B: Further information on our audit of West Yorkshire Pension Fund's financial statements

Significant risks and audit findings

As part of our audit of the Pension Fund, we identified significant risks to our opinion on the financial statements 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.	**Our response** 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 • Journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements. **Our findings** There were no matters arising from the work we performed.
Valuation of investments within level 3 of the fair value hierarchy As at 31 March 2024 the fair value of investments classified within level 3 of the fair value hierarchy was £3,527m, which accounted for 18.2% of net investment assets. The values included in the accounts are those provided by investment managers updated by the Pension Fund for cash movements, where the most recently available information from fund managers is at a date prior to the year end. Level 3 assets are those assets whose value is based on unobservable inputs, and consequently the estimation uncertainty for these assets is more significant than for assets valued at Level 1 and 2.	**Our response** We addressed this risk by completing the following procedures: • obtained an understanding of the skills, experience and qualifications of any external valuers used by the Pension Fund; • obtained an understanding of the basis of valuation applied in the year, and reviewing the valuation methodologies; • agreed a sample of valuations to supporting documentation including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation; • reviewed management's reconciliation of fund manager reports to the custodian's report; and • agreed a sample of valuations to audited accounts or other independent supporting documentation and considering the impact of any modified audit reports on those audited accounts. **Our findings** We identified instances where the value recorded in the financial statements differed from the valuation provided direct to the audit team by fund managers. The actual value of differences identified was an understatement of equities of £2,083k and a net understatement of pooled investments of £1,113k. 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 of equities of £6,219k and an overstatement of pooled funds of £1,815k.

Appendix B: Further information on our audit of West Yorkshire Pension Fund’s financial statements

Summary of uncorrected misstatements for the Pension Fund

We reported three unadjusted audit misstatements as part of our completion reporting. The cumulative impact of these adjustments was immaterial to the financial statements.

Internal control observations for the Pension Fund

We did not identify any internal control recommendations from the work performed. We reported the recommendation raised in the prior year had been successfully implemented.

Contact

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