Report to Bristol City Council:

Review of 2016/17 Forecast Budget Deficit

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Summary

a. Following the Mayoral and Council elections in May 2016, analysis of the Council's 2015/16 outturn and routine financial monitoring at the end of month 3 (June) in the 2016/17 financial year indicated that Bristol City Council (BCC) was facing a budget deficit of £29.1m. This was reported formally to Cabinet on 6 September 2016 and I was appointed in October 2016 to undertake an independent review of the causes and to make recommendations for improvement in financial management and reporting to promote better transparency and accountability. The Terms of Reference of my Review are set out in Appendix A. They emphasise as part of the context a significant turnover of senior officers within the Council over recent years.

b. My review has taken the form of an examination of documents and interviews with key personnel. I have been assisted throughout by officers of the Local Government Association and have received full co-operation from officers, the Mayor and members of Bristol City Council and consultants appointed to assist it. I am grateful to all concerned for their support. My review has however been handicapped by the fact that many of those holding key positions during the period it has been necessary for me to examine have since left the Council and have therefore been unavailable for interview.

c. This is my report and others bear no responsibility for its findings and recommendations.

d. My Terms of Reference required me to focus on ten key areas listed as the bullet points in Appendix A. In essence, these instructed me to report and comment on the following issues:

- Change Programme Reporting
- Review and Understanding of Delivery Risks and Implementation Plans
- Cost Drivers and Reasons for Spending Pressures
- Business Cases and Assumptions Supporting the Change Programme
- Budget Review Processes
- Foreseeability of 2015/16 and 2016/17 Budget Problems
- Mitigation of 2015/16 Budget Pressures
- First Quarter Mitigation of 2016/17 Budget Pressures
- The Voluntary Severance Programme
- Improving Reporting and Transparency

e. The Change Programme referred to was the bringing together of organisational development activity dating back to 2012 and was aimed at securing significant cost savings. I have structured my report by dealing in turn with each of the issues itemised in the bullet points at paragraph d. This has necessarily involved some repetition, for which I apologise. But I also consider that my review has raised important wider issues concerning the management culture within the Council and the quality, role and status of the Council's Finance function which I have addressed in an additional Key Messages section.

f. In summary, I have concluded as follows:

(1). The underlying financial pressures facing Bristol City Council in the early part of 2016/17 were not of the Council's own making. They arose from a combination of large reductions in Government grant income, legislative changes, cost increases especially in relation to the provision of adult social care, and unavoidable additional demand for Council services.

(2). These pressures were similar to those facing most, if not all, large local authorities in England and were well documented in reports to the Mayor and BCC Members.

(3). But Bristol did not address these problems early enough or with sufficient rigour.

(4). The Council's Medium Term Financial Strategy in 2014/15 provided for three different savings streams. Together they were intended to deliver recurring savings of £112m by the end of 2016/17 but fell short of this ambition.

(5). By far the largest element of the planned savings was the Single Change Programme designed to secure £64m in savings over a three year period. It failed to do so.

(6). The detailed Business Case for the Change Programme appears to have been written some months after it began and is flawed in important respects. It cannot properly be described as a Business Case. Moreover, I have been unable to ascertain which if any Members saw it.

(7). The governance arrangements in respect of the Change Programme had many positive features but its strengths were outweighed by its weakness. For example:

- The size of the Change Board responsible for overseeing the Programme, with over 30 members, was far too large.
- The absence of any central role for the Finance directorate meant that
  - o financial information presented to the Change Board could not be relied upon;
  - o budget monitoring reports to Cabinet were presented on a different basis to Change Programme updates; and
  - o the Change Board was wholly disconnected from the Council's budget preparation process.
- It would have been helpful for periodic independent review of claimed savings to have been built into the governance arrangements from an early stage.

(8). The Change Programme was primarily managed as an organisational development programme with a stronger focus on the delivery of projects than on the realisation of savings.

(9). There were business plans for specific savings initiatives and these were considered by the Change Board but they varied in quality, were often stated only at a very high level and were not consistent in the depth of analysis and detail underpinning them.

(10). Reporting on the performance of the Change Programme, both internally to the Change Board and formally to the Mayor and elected council Members, was inadequate in important respects. For example:

- Reported savings were not reconciled with information derived from the Council's financial systems;
- Reports were mostly lacking in analysis or advice, and often difficult to follow; and
- Reports did not properly explain delivery risks or accurately reflect performance.

(11). Reports on the progress of the Change Programme were consistently over-optimistic throughout 2014 and 2015, even in the face of contrary knowledge within the Council, to the extent that Members were undoubtedly misled.

(12). The Mayor and BCC Members were not alerted to the significance of key information contained within the reports presented to them, including the implications of the likely non-delivery of planned savings being rated as amber or red.

(13). Senior officers did not understand the implications of slippage in the delivery of the Change Programme and seemed unaware of key assumptions within the budgets which authorised them to incur expenditure.

(14). Business plans presented to the Change Board and to Cabinet seeking authority to incur expenditure on saving initiatives were seldom accompanied by implementation plans. In most cases, no such plans existed or were lacking in substance.

(15). Monitoring of the investment on savings projects was not robust and expenditure has been under-estimated in corporate reports. It is currently believed that £33.5m provided centrally to fund Change Programme initiatives will be overspent by £3.4m, despite £14.1m of redundancy costs having been met from other central reserves.

(16). There was a lack of transparency over how this expenditure was reflected in budget reports.

(17). There was no prioritisation of how funds made available for investment in savings programmes should be allocated.

(18). The risk of double counting of savings that might be attributed to more than one project was not acknowledged or dealt with until a late stage.

(19). Officers consistently misjudged the complexity of delivery of savings initiatives, and hence the risks associated with agreed Change Programme savings, and failed to revisit the original business case when these risks materialised.

(20). There is a distinction to be drawn between savings being managed by Directorates and those being managed centrally as part of the Change Programme. Planned savings allocated to Directorates were mostly, but not in all cases, delivered. Where responsibilities were clear they were taken seriously.

(21). Failure to deliver planned savings in 2014/15 and 2015/16 exacerbated the pressure on the Council's 2016/17 budget.

(22). The outturn for both 2014/15 and 2015/16 was balanced only as a result of non-recurring savings. In both years, the most important of these was a saving in capital financing costs, mainly resulting from a large underspend on the capital budget.

(23). The actions taken in the latter part of 2015/16 and the first quarter of 2016/17 to mitigate budget pressures were largely panic measures. There were no delivery plans for these measures which are now capable of being assessed, but they proved effective.

(24). On 4 August 2015, the Change Board was told that only £23.2m of the planned £64m Change Programme savings had been secured. At that stage, substantial non-delivery of the £112m agreed MTFS savings was wholly predictable.

(25). Of the claimed £23.2m Change Programme savings for 2016/17, secured by 4 August 2015, £21.1m was accounted for by the restructure programme. This had originally been intended to deliver savings of £28m.

(26). The restructure programme had also been intended to deliver £22.0m of these savings in 2014/15. In fact it secured only £15.8m in that year, not all of which was attributable to the General Fund.

(27). Throughout the latter part of 2015 and the early part of 2016 there was a growing awareness among senior Council officers that the Change Programme was not delivering and that the pressures on the 2016/17 budget would be acute. Directorates, assisted by external consultants, sought to produce the savings options needed to bridge the anticipated budget gap but failed to identify sufficient options to do so.

(28). A number of the measures that were identified were not included in the papers issued for public consultation on the 2016/17 budget because they were considered to be politically sensitive.

(29). Review by Members and by senior officers of the spending and savings proposals and assumptions underpinning the Mayor's 2016/17 budget proposals was inadequate:

- The council failed to consider the risk involved in not undertaking a full review of the Medium-Term Financial Strategy (MTFS).
- Although there was some review of the 2016/17 budget assumptions this was overly focused on new spending pressures.
- There was no effective review of the key budget assumption concerning delivery of previously agreed savings.

(30). However, the imbalance in the 2016/17 budget was foreseeable and was in fact foreseen. Senior officers were aware from 19 January 2016 of a likely budget gap of £43m and knew by 19 February 2016 that assumed savings in 2014/15 and 2015/16 totalling £18.9m and reflected in the base budgets for 2016/17 had not in fact been delivered.

(31). By 8 March 2016 officers believed there was a budget gap of £54.3m, or £28m-£35m after allowing for all the available measures to address it, but Members were not informed of this and continued to receive reassuring reports throughout March and April 2016.

(32). There was a tacit understanding within the Senior Leadership Team (SLT) that contentious decisions should not be asked of politicians before the Mayoral and Council elections scheduled for May 2016.

(33). The 2016/17 budget, approved by the Council on 16 February 2016, assumed that all previously agreed savings had been delivered in full. This assumption was false.

(34). The 2016/17 budget also included unallocated savings totalling £32.1m, a large proportion of which were, in addition, unidentified.

(35). At no stage did the Council's corporate risk register adequately reflect either the probability or the impact of the non-delivery of planned savings.

(36). By the beginning of the 2016/17 financial year senior officers were assuming, but did not inform Members, that a balanced outturn in that year would most probably be achieved through the use of reserves. This can at best be described as artful.

(37). Informal reporting to the Mayor and Members works reasonably well and has got better in recent months. But formal reporting still needs to be further improved. For example:

- During the period covered by my review reports to Members were often opaque and displayed a tendency to "bury information in big reports".
- Financial reporting has not in the past been timely enough, though budget monitoring is now being reported monthly.
- The quality of reporting has been poor, with reports often devoid of analysis or advice, though this too has greatly improved in recent months.

(38). Over a sustained period of time, officers did not display the degree of professionalism that the Mayor and BCC Members were entitled to expect.

(39). There were other serious weaknesses in the administration and management of the Council during the period covered by my review. Good progress has been made in addressing some of them but there are remaining issues which the new chief executive will need to consider. For example:

- There are still weaknesses in basic administration and document management.
- Reporting at officer level continues to place excessive reliance on lengthy PowerPoint presentations which are difficult to follow for those not present.
- Internal communications have improved, but from a very low base. The Council remains silo based and this problem has in the past been exacerbated by strained personal relationships among senior officers.

- The Council has not in the past had a healthy management culture. During the period covered by my review there was a widespread belief that SLT did not want to hear bad news.
- I have also seen evidence of high levels of stress and basic discourtesies and have heard reports of bullying, though the latter are not recent.

(40). Addressing these difficult cultural issues will not be easy and it will take three to five years for any necessary changes to be embedded.

(41). The Council also has a very weak Finance function and has experienced frequent staff changes at senior level. During the 2016/17 budget preparation process three different people held the post of s.151 officer. This was a significant contributory factor to the Council's financial difficulties.

(42). A part of the weakness within the Finance Directorate arises from deficiencies in staff skills and understanding of their role.

(43). This lack of understanding of the role of Finance extended beyond the Finance Directorate. It is therefore welcome that the Council's s.151 and monitoring officers are now full members of SLT.

(44). The problems which prompted my appointment resulted from a serious collective failure of leadership.

g. I must emphasise that individuals who may be identifiable from my report and who may feel that they are being unfairly criticised, implicitly or explicitly, have not been given a right of reply. My report and any action flowing from it needs to be read in that light. In particular, it would be wholly wrong for any individual to be singled out for censure, not simply because they have not been given an opportunity to put their case to me, but more importantly because I am in no doubt that the sequence of events described in this report represents a collective failure of leadership within the Council for which several people, including elected politicians, bear responsibility.

h. I am conscious too that much has changed within the Council over the last six months. The new Mayor, his colleagues and senior BCC Officers are more open about the difficulties they face and this has made it possible to take the steps needed to address them. The financial administration of the Council has improved so that Members may have confidence in the 2017/18 budget recommendations to be considered by the Council on 21 February 2017. I commend the Council for the progress it has made in a very short period of time. I nevertheless make the following recommendations for further action:

1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight.
2. Wherever possible the Council should ensure that responsibility for the delivery of specific savings initiatives is allocated to Directorates so that ownership of savings programmes and accountability for them is clear.
3. The Council should adopt a more disciplined, centrally driven approach to business cases supporting investment decisions or savings projects. There should be a standard template of what constitutes an acceptable business case and a standard procedure through which the template must be completed and approved.
4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice.
5. Members should be less tolerant of poor quality reports than they appear to have been in the past.

6. Where they do not already exist, arrangements should be made for report authors to receive feedback from Member or senior officer discussion of their reports as a matter of routine.
7. Relevant officers should be reminded of their responsibilities to keep backbench and Opposition Members properly informed.
8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings.
9. The Council should take further steps to improve the quality of its Finance function, modernise its role and enhance its status. Relevant outstanding recommendations of the review commissioned in December 2015 should be actioned as a matter of urgency.
10. The previous recommendation that the Council should "Develop a Competency Framework and agree the way forward re Assessment and Development centres" in relation to its Finance staff is overdue and should be given priority.
11. This should be actioned alongside a review of the role and requirements of Business Partners as part of the current review of the Finance Directorate structure.
12. The more timely reporting of budget monitoring information that has now been introduced should continue into the future. If the Council opts to return to quarterly budget monitoring and the first quarter monitoring report cannot be considered in July, there should be routine reporting in June or July of the position as at the end of May.

i. In conclusion, I would like to thank Mayor Marvin Rees, Interim Chief Executive Stephen Hughes and Bristol City Council for inviting me to undertake this review. I would also like to offer particular thanks to Beth White in the Chief Executive's office without whose tireless efforts in locating documents, assembling paperwork, obtaining responses to my queries and arranging meetings it would have been impossible for me to complete it. Despite the scale and depth of the difficulties dealt with in this report, the progress I have witnessed within the Council over recent months is reassuring. I wish the Council and the City well for the future.

Introduction

1. Following the Mayoral and Council elections in May 2016, analysis of the Council's 2015/16 outturn and routine financial monitoring at the end of month 3 (June) in the 2016/17 financial year indicated that Bristol City Council (BCC) was facing a budget deficit of £29.1m. This was formally reported to Cabinet on 6 September 2016. I was appointed in October 2016 to undertake an independent review of the causes and to make recommendations for improvement in financial management and reporting to promote better transparency and accountability. I am a member of the Chartered Institute of Public Finance and Accountancy (Cipfa) and a former chief executive of the Audit Commission, which was at that time responsible for the appointment of auditors to all local authorities in England and the assessment inter alia of councils' use of resources. The Terms of Reference for my review are set out in Appendix A. It was conducted over a period of several weeks through the examination of key documents and interviews with relevant individuals. I have also been assisted throughout by officers of the Local Government Association (LGA).
2. My review has been handicapped by the fact that many of those holding key positions during the period it has been necessary for me to examine have since left the Council and have therefore been unavailable for interview. As stated in my Terms of Reference there have been five s.151 Officers within the last three years. A sixth took office towards the end of 2016, during the course of my review. The City Director who initiated the Change Programme at the core of my Terms of Reference has also since left the Council. So too has the Strategic Director who led it for most of the period under review. As a result, both the two most senior posts at the Council's corporate centre were filled on an interim basis for much of 2016 and the beginning of 2017. In addition, there have been significant changes and interim appointments affecting other key posts including the Service Managers for Business Change and ICT, and for Corporate Finance. It may be relevant too that during a critical period in 2015 the then City Director held another role as chief executive of Bristol 2015 Ltd, the company charged with the delivery of Bristol's European Green Capital programme. By any standards, the degree of churn in the Council's senior management is extraordinary. I have no doubt that it was a major contributory factor to the problems that prompted my appointment. I comment further below on other matters that I consider to be significant underlying causes of these problems.
3. The Change Programme referred to in my Terms of Reference was initially the bringing together under a single governance structure of several previously separate strands of organisational development work dating back to 2012. It had its origins in the development of a Medium Term Financial Strategy (MTFS), needed to underpin the Council's 2014/15 budget decisions, and was apparently approved within the Council in or around September 2013 as the Change Board responsible for its oversight was up and running by the beginning of October 2013 and was referred to in the 2014/15 budget papers presented to the Council on 18 February 2014. The Programme was required by the 2014/15 budget decisions to generate recurring savings of £25.3m in that financial year, rising to £64m over the three year lifespan of the MTFS.
4. Although described as the Single Change Programme (SCP) it sat alongside other savings initiatives. These are referred to within the Council as Legacy Projects from savings approved in previous years and Mayor's, or Mayoral, Savings approved as part of the annual budget process. For completeness and to improve understanding of the issues raised by my Terms of Reference, where appropriate, I have looked at all three. The Change Board also eventually chose to have oversight of all three, but not until late into the second year of the MTFS, following its meeting on 15 September 2015.

5. The different elements of the three savings programmes were as follows:

	2014/15	2015/16	2016/17
	£m	£m	£m
Previous Savings Programmes	4.9	6.9	9.1
Mayor's Savings	16.1	27.9	39.5
Single Change Programme	25.3	42.5	64.0
Total	**46.3**	**77.3**	**112.6**

These figures are cumulative totals, so the figures for 2016/17 include the savings assumed to have been achieved in 2014/15 and 2015/16. However, the in-year savings of £46.3m in 2014/15, £31m in 2015/16 and £35.3m in 2016/17 were included as part of the budget for each of those years and assumed to have been achieved within those respective years. This was made clear in budget reports and was therefore known, or should have been known, by all concerned, although I have learned that there was an expectation within the Council's senior management that unachieved savings from one year could be rolled forward without consequence to the next.

6. The Previous Savings Programmes, or Legacy Projects, were agreed in various decisions between November 2011 and June 2013 and may be summarised as follows:

	2014/15	2015/16	2016/17
	£m	£m	£m
Children and Young People's Services	3.0	3.1	3.1
Health and Social Care	0.9	1.6	1.7
Other Projects	1.0	2.2	4.3
Total	**4.9**	**6.9**	**9.1**

Again, these figures are cumulative totals. Oversight of them was integrated into the Single Change Programme in July 2014.

7. My Terms of Reference required me to focus on ten key areas listed as the bullet points in Appendix A. In essence these instructed me to report and comment on the following issues:
    - Change Programme Reporting
    - Review and Understanding of Delivery Risks and Implementation Plans
    - Cost Drivers and Reasons for Spending Pressures
    - Business Cases and Assumptions Supporting the Change Programme
    - Budget Review Processes
    - Foreseeability of 2015/16 and 2016/17 Budget Problems
    - Mitigation of 2015/16 Budget Pressures
    - First Quarter Mitigation of 2016/17 Budget Pressures
    - The Voluntary Severance Programme
    - Improving Reporting and Transparency

8. I have structured my report by dealing in turn with each of them. This has involved some inevitable repetition, for which I apologise. But I also consider that my review has raised important wider issues concerning the overall management and administration of the Council and the quality, role and status of the Council's Finance function which need to be considered. These are brought together in a concluding Key Messages section. My findings, observations and recommendation in respect of each of these points are as follows.

Change Programme Reporting

9. The first of the specific issues raised by my Terms of Reference required me to examine "the extent to which Change Programme reports explained the risks and accurately reflected the risks, performance and level of readiness of the necessary implementation plans". Reporting on the Change Programme took place at two levels. At the officer level, there was reporting to the Single Change Programme Board (the Change Board), a body comprising more than 30 people which met frequently (normally fortnightly, at least monthly and on occasions weekly) throughout 2014, 2015 and the early part of 2016, although it is now in abeyance, and to the Council's Senior Leadership Team (SLT). There was also reporting to the Mayor and elected Council Members, both formally and informally. The formal reports to Members were received by Cabinet, the Business Change and Resources Scrutiny Commission, the Overview and Scrutiny Management Board and the Council's Audit Committee. There was also regular informal briefing of Leading Members by relevant senior officers.

10. At least In theory therefore, adequate reporting arrangements existed, although initially formal reporting to the Mayor and Cabinet took place only half yearly which was less frequent than I would have expected of a programme as significant as the SCP to the Council's medium-term financial stability and the achievement of the Council's overall budget objectives. Half yearly reporting does not permit emerging delivery risks to be identified promptly and addressed before they become too serious. In practice however, the SCP also featured regularly in quarterly budget monitoring reports.

11. The reporting to the Change Board generally took the form of Microsoft PowerPoint slide presentations, often very lengthy and not always easy to follow. They were generally of two types: reports setting out the business case for proposed savings initiatives and seeking approval of investment; and reports monitoring the overall progress of the Change Programme. The latter tended to be more focused on the progress of specific projects rather than the realisation of savings, though there were important exceptions to this. The former became more realistic about risks and the achievable speed of implementation as time wore on but usually dealt with risks and implementation plans only at a very high level.

12. In general, it appears that the Change Programme was seen by officers primarily as an organisational development project and reporting at both Member and officer level focused on this aspect of it. Financial reports were presented to the Change Board in most if not all months but they were usually the last item on the agenda and focused more on tracking the expenditure of investment funds than the realisation of savings. There was a savings tracker which summarised what had been achieved from the various projects under way but this was not always presented consistently, was seldom reconciled with the information produced by the Council's finance systems, and was reported in an inappropriate way which ignored the importance of meeting annual as well as medium-term savings targets. In addition, reporting often took the form of the neutral presentation of numerical information with little or no analysis of its implications.

13. The Change Board did not look in detail at the readiness of implementation plans and only began to discuss in a meaningful way the risks of non-implementation of planned savings after the summer of 2015, following a discussion at the Change Board on 4 August of that year. In addition, the risk of double counting between different savings programmes was not fully acknowledged or dealt with until a late stage in 2015/16.

14. Moreover, although the council had recognised that many of the projects required to generate savings would need initial investment and had made funds available for this, there was little prioritisation of how investment funds should be deployed with the result that they were in general allocated on a "first come, first served" basis. In addition, monitoring of the expenditure incurred to release savings did not include all the costs met within Directorates from their base budgets and was therefore not robust. There was also a lack of transparency over how this investment expenditure was reflected in budget reports and expenditure has

been under-estimated in corporate monitoring reports. It is currently believed that £33.5m provided centrally to fund Change Programme initiatives will be overspent by £3.4m, despite £14.1m of redundancy costs having been met from other central reserves.

15. More importantly, when detailed financial information was presented to the Change Board which indicated substantial slippage in the delivery of required savings it does not appear to have caused alarm bells to sound about risks to their eventual achievement at the point it should have done. For example, the original MTFS requirement of the Change programme was for savings of £25.3m to be achieved during the financial year 2014/15, rising to £42.5m in 2015/16 and £64m in 2016/17 as summarised below.

	2014/15	2015/16	2016/17
	£m	£m	£m
Restructure	22.0	26.0	28
Redesign	-	4.0	8
Category Management	-	6.5	10
Income Opportunities	-	0.5	2
Process Review	2.0	2.5	8
Assets	1.3	3.0	8
Total	**25.3**	**42.5**	**64**

The Council's budget for each of those years was explicitly predicated upon the achievement of those savings, within the year in question, as was made clear, for example, in the Update to the MTFS which formed part of the 2015/16 budget papers and which listed among the principal spending assumptions underlying the budget proposals an assumption that:

"All existing approved savings plans are delivered"

But it was reported to the Change Board as late as 16 June 2015, based on information as at the end of May, that only £22.6m of planned savings had been delivered by that date, i.e. less than the £25.3m required of the SCP in 2014/15 alone. It was also reported that projects necessary to deliver savings of £29.2m had yet to be initiated.

16. As this clearly implied that the 2015/16 budget had been agreed on the basis of a false assumption it is surprising that this report did not contain any comment on the implications of this or recommendations as to the action needed to put the programme back on track. Instead the minutes of the meeting merely record that:

"Good progress has been made in relation to the delivery of financial savings, with £22.6m having been realised, and plans in place for the delivery of a further £12.2m ...."

17. Given experience elsewhere of the normal lead-in time needed for the delivery of major savings projects, and given also that at that stage the Council was already nearly a quarter of the way through the 2015/16 financial year, I believe it is fair to regard the record of this discussion as revealing a degree of complacency, or at best over-optimism or lack of understanding, on the part of senior Council officers. The planned savings for 2014/15 had clearly not been achieved at the required level and the probability of the required amount of further savings being achieved in 2015/16 was, in my view, low.

18. In addition to the in-year requirement of £17.2m from the SCP, £2.0m from legacy projects and Mayor's savings for that year of £11.8m there was already a requirement to make additional savings to recover the slippage in the previous year. The fact that in-year slippage in the delivery of planned savings would lead directly to budget overspend does not appear to have been adequately understood at senior levels within the Council.

19. In December 2015 the Council commissioned external consultants to undertake a review of the BCC Finance function. This reported in February 2016 and one of the conclusions of the review concerned reporting to the Change Board of the delivery of savings. It concluded:

"In our opinion report to Change Board does not address all of the fundamentals required, including but not limited to

- Lack of clarity as to savings target for each programme and project included within the budget/MTFP in each year
- The performance of each programme and project against these targets in each year
- The ability of the programme and each project to 'catch up'/take remedial action/ bring forward other projects
- The risk in financial terms for the budget/MTFP are unclear
- There does not appear to be any reporting of contingency plans when programmes and projects slip e.g. slow down investment
- Business cases are not updated as a result there is a risk (in BCC thus far a reality) that the savings targets are different and the resultant 'gap' is not addressed in-year thus making the challenge in future years more difficult
- There are no simple messages regarding financial performance and no recommendations/advice as to actions that need to be taken."

On the basis of what I have seen, I fully endorse these conclusions.

20. No doubt because of the inadequacy of reporting at officer level, formal reporting to the Mayor and BCC Members was also inadequate in several respects and too often overly reassuring, occasionally despite knowledge to the contrary that existed within the Council at the time. For example, some months after the 16 June 2015 report to the Change Board referred to in paragraph 15, the Quarter 1 Finance Report for 2015/16, presented to Cabinet on 1 September 2015 remained confident in its tone. It identified budget pressures facing service directorates of £6.848m in total, but concluded that these would largely be offset by savings in capital financing and other corporate budgets and reported that:

"The net savings proposals for the year, agreed by Council in February 2015 totalled £31m and are on track to be delivered in most areas"

There was no mention of the under-delivery in 2014/15. Indeed, even as late as 6 October 2015 the Change Board 6 Monthly Monitoring Report to Cabinet, was assuring Members that:

"At the time of report production, £30.2m of savings have been realised with plans in place to realise a further £13.3m. A total of:

- 18 projects have delivered and been formally closed,
- 25 projects are live and are reporting progress on a monthly basis to Change Board
- a rolling number of early initiatives are in discovery, where work is underway to identify the associated value and effort for each so Change Board can agree whether to progress them to delivery."

21. There is some confusion in many of the reports I have seen, and apparently also in the minds of some senior Council officers, which appears to have gone unchallenged by the Mayor and council Members, about what the figures being quoted actually meant. Throughout the period I have reviewed there was an explicit budget assumption that in-year savings would be achieved at the stated level. For the most part, reporting of the SCP appears to have conflated this with savings agreed and being implemented during the year which were expected to have a full-year effect of delivering savings at the stated level. I have concluded that at the heart of this confusion was a disconnection between the management and oversight of the Change Programme and the Council's budget process. I believe the most charitable construction that can be placed on the confusion in formal reports on the progress of the Change Programme

is that several senior officers outside the Finance Directorate simply did not understand the budgetary management implications of slippage in the delivery of Change Programme savings, or the underlying assumptions on which the budgets which authorised them to incur expenditure had been prepared.

22. For a long period, it is also apparent that senior officers, and hence the Mayor and Leading Members also, collectively misjudged the complexity of delivery issues and thus the risk of non-achievement of planned savings. Eventually, but not until 19 January 2016, the Change Board established a Directors' Working Group tasked with ascertaining the degree of confidence within Directorates about the delivery of planned MTFS savings and quantifying the availability of alternatives to bridge the gap. The Council's s.151 officer, who was at that time acting on an interim basis, the previous permanent postholder having left the Council in December 2015, was not a member of this group, although there was input to it from Finance staff. The report of the Group was considered by the Council's Senior Leadership Team (SLT) on 19 February 2016, at a meeting to which neither the Chair of the Group nor the s.151 officer were invited. The report of the Directors' Working Group was heavily caveated with warnings that the figures within it had not been verified by the Finance Directorate. But it nevertheless concluded that of the total savings requirement of £112m over the MTFS period summarised in paragraph 5 above, there was confidence in the delivery of only £65.5m.

23. Yet the 2016/17 budget, agreed by the full Council only three days earlier, had assumed delivery in full, not merely of the planned £35.4m additional savings to be achieved in the coming year, in respect of which there was a clear statement at paragraph 3.61 that:

    "the combined budget reductions from the various savings streams total £35.4m in 2016/17. It is assumed that these savings will be delivered in full."

    but also the £31m (the difference between the totals of £77.3m and £46.3m shown in the table at paragraph 5 above) of savings to be achieved in-year which had been approved as part of the 2015/16 budget process, and which in turn had assumed delivery in full of the £46.3m planned savings for 2014/15. This assumption is clearly shown at several points in the 2016/17 budget report including a table that appears at paragraph 3.47 of the report. The same explicit assumptions are clearly shown in the budget report initially considered by Cabinet on 12 January 2016.

24. Surprisingly in view of the conclusions of the Directors' Working Group, the risk register included within the Budget report on 16 February 2016 described both the probability and the impact of a recognised risk that a potential overspend would emerge and the Council would not deliver the required level of savings to balance spending plans as being "low". This was perhaps a reflection of the fact that the Council had succeeded in producing a balanced outturn after spending pressures emerged during the course of 2015/16, but it was not a realistic assessment of the risks faced by the Council at that point. Nor did it accord with the conclusions of a report presented on 15 February 2016 to the Business Change and Resources Scrutiny Commission, reviewing the Business Change Directorate Risk Register, in which the impact and likelihood of failure to deliver the MTFS were respectively described as "critical" and "probable" and the risk of such failure was rated as red.

25. Similarly, the Quarter 3 Finance Report for the 2015/16 financial year, presented to Cabinet on 1 March 2016, only two weeks after the 2016/17 Budget report had explicitly assumed delivery in full of the savings agreed as part of the 2015/16 Budget and with less than a month of the financial year remaining, contains a table which shows that of the £31.005m savings agreed by the Council a year earlier, the delivery of some £16.2m was rated by the relevant managers as amber or red. Yet the Executive Summary, which I have been told was not written by the person who was responsible for the body of the report states:

    > "The net savings proposals for the year, agreed by the Council in February 2015 totalled £31m and are on track to be delivered."

26. I have examined all the budget monitoring and Change Programme update reports presented to Cabinet over a three year period and a similar pattern of over-optimistic reassurance emerges throughout, even when the body of the report contains text which ought to have raised concerns. Moreover, the reports I have read are for the most part wholly lacking in analysis or advice. Again, a charitable construction of this would be that for most of that period, officers failed to interpret correctly the financial monitoring information they presented to the Change Board and consequently misrepresented it in reports. But even on this construction it remains my view that Change programme reports at both officer and Member level did not properly explain risks or accurately reflect performance and were therefore inadequate.

27. I am satisfied however that there have been significant improvements in the quality of reports presented to the Mayor and council Members over recent months, although more remains to be done. I am confident too that in private discussions with Leading politicians and within SLT, Strategic Directors were more alert to the risks and more frank about the difficulties they faced, especially from the summer of 2015 onwards. In particular, once it became clear that there was a likelihood of overspending in 2015/16 appropriate action was taken to avoid this and a balanced outturn was secured. This is dealt with further below but it should be noted that the implications for the stability of the 2016/17 budget of the degree of slippage and the nature of the steps taken to deal with pressures emerging in 2015/16 were again not widely understood within the Council.

Review and Understanding of Delivery Risks and Implementation Plans

28. The second of the specific issues I was asked to consider was "the extent to which the above (Change Programme reports, delivery risks and implementation plans) were reviewed and understood by officers and members during 2015/16 and if any remedial plans were put in place". I believe consideration of the degree of review and understanding of risks associated with the Change Programme cannot be divorced from consideration of the governance of the programme itself. This was described in a report, Single Change Programme, presented to Cabinet on 1 July 2014, as follows:

    "The Strategic Director for Business Change, as the Senior Responsible Owner (SRO), has overall accountability to Cabinet for delivery of the single change programme. He is supported by the Change Board which includes all Strategic and Service Directors.

    The Change Board is where the decision making is done, both at a high level and also in understanding and agreeing the detail of each programme element. .... Within the context of the programme there are no other governance boards or key decision making groups.

    There is ultimately one plan and we jointly own the plan through the Programme Management Office (PMO). To make sure the plan delivers, the PMO will assign resources on a business need basis. The Change Board will decide 'what' we deliver; it's our job to work out the smart way of 'how' we will deliver and then ensuring we make it happen." .....

    "It is proposed that reporting to Cabinet will be on a half yearly basis, with monthly tracking by the Assistant Mayor for Business Change and Deputy Mayor, starting from September 2014 when a more detailed summary of individual costs and benefits will be provided. ... It is also proposed to provide a similar report on a six monthly cycle to the Business Change Scrutiny Commission."

29. At first glance, the Change Programme appears to have been established in a way which displays many of the hallmarks of good governance. There was a clear overriding objective. The delivery of the overriding objective was recognised as being dependent on the delivery of a smaller number of different projects. For each of these there were individuals with designated responsibility. There was central co-ordination of the Programme as a whole. There were reporting and monitoring arrangements which provided an opportunity for independent Member challenge and hence officer accountability. There were identified funds available to meet necessary costs associated with the delivery of the individual projects. There was provision for the rigorous analysis of investment proposals. And there was flexibility to adjust the Programme as circumstances dictated, should it prove necessary to substitute new projects for others previously agreed or to bring forward or defer agreed projects.

30. The Change Programme governance arrangements also displayed other strengths. These were described in an internal audit review, reported to the Audit Committee on 24 April 2015, from which the Council will undoubtedly have drawn comfort. It largely gave the system of governance and internal control a clean bill of health and identified the following specific areas as ones where the level of assurance was found to be good:

    - "No project can be started without a Business Case which is approved and monitored by the Change Programme Board.
    - Project progress is discussed at the regular bi-weekly meetings of the Board with monthly Highlight reports produced to aid workstream monitoring. Overall progress is tracked using a comprehensive milestone map.
    - The Change Programme Board is where the decision making is done, both at a high level and in understanding and agreeing each workstream element.

Additionally each project /workstream is assigned an accountable Service Director and Project/Workstream Manager.

- Regular internal reports prepared by the Programme Management Office are used by the Performance Improvement Team to identify proxy measures of success against the Mayor's priorities.
- A new Performance Management System has been procured to improve performance at an individual level and this will be supported by management training and development, thereby providing a clear approach to culture change and identifying gaps in skills and capacity.
- A risk log is in place for each workstream to manage risks. These are also used to inform the monthly Highlight reports which clearly identify any concerns that relate to the workstream status."

It is worth adding that the existence alongside the Change Board of the Pay Panel, a group of officers which is still in existence, which meet weekly, and without whose agreement it is impossible to create a new post or employ an interim or agency worker, represents another positive element of the overall arrangements.

31. Nevertheless, while acknowledging the existence of real strengths in the governance of the Change Programme, I have concluded that these were outweighed by some serious weaknesses. The most important of these were:

- The absence of any central role for the Finance directorate. This meant that financial information presented to the Change Board could not be relied upon and budget monitoring reports to Cabinet were presented on a different basis to Change Programme updates. As time went on it became clear that Finance staff did not necessarily agree with, and usually had not been consulted about, the financial information presented to the Change Board by the PMO. Moreover, the Change Board was wholly disconnected from the Council's budget preparation process.
- Quite separately from the disconnection with Finance, reports to the Change Board were inadequate in other respects, for example lacking in analysis or advice, and often difficult to follow.
- The size of the Change Board, with over 30 members was far too large. I would question whether it is ever possible for a body of this size to manage a delivery programme effectively or to provide robust internal challenge to emerging 'groupthink'.

But in addition:

- Although the Change Board reviewed Business Plans for all the projects included in the Programme these were normally presented at a high level with the quantity and quality of the underlying supporting documentation being at best variable.
- The Change Board was overly focused on the monitoring of progress with projects rather than the resulting impact, including the delivery of savings. – It failed to recognise the financial implications of slippage and of changing savings requirements resulting from both under-achievement of anticipated savings and changing external pressures.
- During the period when the Change Board was supposed to maintain oversight of the delivery of savings there was no clear relationship between it and the Pay Panel.
- Reporting to Cabinet only on a half yearly basis was too infrequent. – Although there was monthly reporting to the Assistant Mayor for Business Change and Deputy Mayor, half yearly reporting to Cabinet provided very little opportunity for emerging problems to be identified at an early enough stage for them to be addressed.
- It would have been helpful for periodic independent review of progress to have

been built into the governance arrangements from an early stage. – The 1 July 2014 report to Cabinet described the role of the PMO as being to track delivery and provide an independent assurance function, but it is not clear who this function was believed to be independent of as it reported directly to the Strategic Director with overall responsibility for the delivery of the Programme. It is also surprising that the Council's external auditors do not appear to have undertaken any independent review of the SCP, given that the achievement of £64m savings depended on it.

- The Programme was unnecessarily confused by the lack of clarity caused by both centrally and Departmentally managed initiatives.
- There was no overall plan for how the budget made available to fund savings initiatives should be deployed.
- Funding of savings initiatives was not revisited when delivery of savings slipped.

The problems created by the disconnection between the Change Programme and the Council's routine financial monitoring and budget preparation process were also compounded by at times strained relationships and poor communication between key senior officers. In consequence of these and other weaknesses, as one senior BCC officer put it to me:

> "There were two catastrophic failures. One of them was the governance of the Change Programme ..."

Another said of the Change Board:

> "It became something of a spectator sport."

A third told me:

> "It was just a way to get spending approved."

Yet another described the Change Board to me as being

> "gladiatorial".

The evidence I have seen and heard causes me to share these views.

32. Although there was regular reporting to the Change Board which, at least in theory, should have enabled the Council to understand more fully the risks associated with the achievement of its overall savings requirement, risks associated with particular saving programmes and the delivery plans for achieving them were less well reported. So, for example, the restructure programme which comprised the largest single element of the SCP initially assumed a need to reduce the council's payroll by around 15 per cent or to shed around 700-800 staff. But this was an assumption rather than a target. It reflected an understanding of the Council's payroll costs but not a detailed plan of where staff savings might be possible. So staff reduction targets were not allocated to Directorates as the savings were to be achieved largely through voluntary severance. This undoubtedly helped to secure the co-operation of the Council's trade unions and was fairer to staff losing their jobs, but it also meant that the incidence of the reductions was largely random, mostly reflecting the wishes of individual employees rather than the judgement of managers. In consequence, there was no initial understanding of the likely service implications of staff losses in critical areas and in the end it proved necessary to protect service delivery by retaining some staff for longer than had originally been intended.

33. Many of the reports presented to the Change Board, and to Member level meetings, seeking approval for the initiation of savings projects or describing the anticipated benefits were not accompanied by detailed implementation plans. This does not mean that no such plans existed or that difficulties associated with implementation were not fully understood. But in many instances that also appears to have been the case. An important distinction needs to be made however between the understanding of the difficulty and complexity of implementation issues, and hence the risks to the delivery, of savings programmes which were the responsibility of Directorates and those which were managed within the Change Programme. A distinction also needs to be made between the level of understanding and response of officers and Members about the corporate position at different periods of time.

34. The total MTFS savings requirement included in the 2014/15 budget comprised:

	£m
Legacy Savings Programmes	9.0
Mayor's Savings	36.0
Change Programme	64.0
Reduction in Corporate Contingency	3.0
	112.0

At the same time as delivering their element of the Change Programme projects together with Mayoral savings for which they were responsible Strategic and Service Directors, though not the Change Board corporately, were from early in 2015 also monitoring changes in the underlying assumptions on which the original MTFS had been based. For the corporately managed savings plans comprising the Change Programme, implementation issues were not well understood or adequately addressed. At the service level there was a consciousness of both the complexity of delivering agreed savings and the additional demand pressures and their underlying causes. Within Directorates, appropriate action was initiated to quantify these changes and develop additional savings proposals to address them.

35. However, this awareness was not fully reflected in formal reports until November 2015, and even then only at a high level. This was despite the fact that the 2014/15 outturn, reported to Cabinet on 4 August 2015, showed that although the Council achieved a financial balance for that year, this was largely due to a £24.3m underspend on the approved capital programme of £190.5m, which resulted in a £4.3m saving in capital financing costs, together with savings on other corporate budgets and some underspending in service Directorates which masked underlying pressures on demand-led budgets.

36. The Quarter 2 Finance Report for 2015/16, presented to Cabinet on 24 November 2015 summarised its key messages as follows:

> "a) Whilst pressures of £2.8m are currently forecast, it is anticipated that management actions will be taken throughout the remainder of the year to contain them within the overall approved budget.
>
> b) There continues to be significant budget pressures within the People Directorate due to increased demand in both adults and children's services and statutory changes due to implementation of the Care Act. However, officers will be working throughout the year to ensure actions continue to mitigate and manage the cost pressures.
>
> c) The net savings proposals for the year, agreed by Council in February 2015 totalled £31m and are on track to be delivered in most areas and are being closely monitored."

The £2.8m referred to as "pressures" was a net figure. Overspending on services at that point was forecast as being £7.6m, offset by savings of £4.8m on other budgets. Only £1.233m of the planned savings for the year were identified as not being delivered.

37. The "significant budget pressures within the People Directorate" referred to in this report had first been recognised towards the end of 2014/15. The Directorate had responded by appointing consultants Ernst & Young (EY) to clarify costs and pressures facing demand led budgets and the opportunities available to manage them. The EY report was received in March 2015, after the 2015/16 budget had been agreed. Its analysis of the financial challenge facing the Directorate was based on the explicit assumption that:

> "We agreed with you to use the projected overspend for in scope budget areas across Adults, CYPS and Strategic Commissioning as at P9 in your financial year. This decision was taken to reflect that any further in year activity to reduce the projected

budget overspend would be based predominantly on one off, non-recurring initiatives that would not reduce future year budget pressures"

The EY report acknowledged that very significant budget reductions had already taken place and sizeable savings achieved. But it concluded that without further action the forecasted budget gap could increase to £23.4m by 2017/18, of which approximately £17m related to adults services and £6m to children's. It provided a comprehensive analysis of the underlying pressures, the actions that had already been taken to implement MTFS savings and the likely outcomes from additional savings measures planned or in train. But it nevertheless reported that:

> "Our analysis shows that the budget gap by 2017/18 for the in scope services within the Directorate could be from £20.9m to £23.4m depending upon the level of MTFP savings delivered (based on a range of 50% to 100% of budgeted MTFP savings being delivered)."

The conclusions were presented to an SLT meeting on 28 April 2015 and on 4 August 2015 the Strategic Director, People and Service Director, Strategic Commissioning and Commercial Relations made a further presentation to SLT on the actions that would be needed to avert this outcome.

38. Based on their analysis of the underlying causes of financial pressure, unit costs and experience elsewhere, Ernst & Young had identified a number of opportunities for savings and had placed them in one of two categories:

- New opportunities not being delivered already within the Council and therefore completely additive; and
- Stretch opportunities where there was greater potential from existing planned savings or those already under way.

They had also identified some double counting of planned or reported savings and excluded these duplicated savings, or those where an assessment of the value of an opportunity was less than an existing BCC savings target. The People Directorate Leadership Team (DLT) had in turn analysed these and classified them as being either green, amber or red, depending upon whether there was agreement that the proposal represented an opportunity for the Council, management were unsure whether the proposal was deliverable, or it was felt by the DLT that the saving could not be achieved. These had then been further refined by the People DLT into a list of 26 opportunities that represented a potential programme of work. They were estimated to be capable of delivering savings of £8.4m - £18.1m in 2016/17 and £10.3m - £25.1m in a full year.

39. However, the report that accompanied the SLT presentation on 28 April 2015 was explicit in cautioning that:

> "It is important to note that some of these opportunities are the closure of internal services (recommissioning from internal to external) as well as some perceived politically contentious areas such as a re-profiling of the way we deliver Bristol Youth Links services. Many of the opportunities would require key decisions either from Cabinet or the Health and Wellbeing Board."

40. By 4 August 2015, when presentations were submitted to both SLT and the Change Board, officers within the Directorate had undertaken a further analysis of the likely acceptability of savings options and concluded that 6 of the 26 potential opportunities, representing savings of £4.782m - £8.99m were politically sensitive and therefore at high risk of not being approved. This was almost half the potential savings total. I have been assured that these issues and concerns were shared informally with Leading Members.

41. In the event, it appears that there was a tacit understanding within SLT that contentious decisions should not be asked of politicians before the Mayoral and Council elections scheduled for May 2016. Although I have seen no evidence that the Mayor or council Members were explicitly conveying this message, it is possible, but now unverifiable, that

there was a complicit parallel failure on the part of politicians to ask challenging questions during that period which might have exposed some of the difficulties which subsequently came to light. In my view, it is likely that as some of the contentious proposals involved service reductions, officers felt that unpopular actions, but ones they nevertheless considered necessary, had a better chance of gaining approval in the calmer political environment likely to emerge after the elections, although I recognise that other explanations are possible.

42. But what is nevertheless clear is that by the autumn of 2015 officers, at least in some key areas, had a good understanding of the need for substantial additional savings, well beyond those already planned, and of the measures that would be likely to be needed to address them. They had also made some assessment of the delivery risks that would arise in respect of these measures, but some of the identified options were not included in the papers issued on 23 November 2015 for public consultation on the 2016/17 budget. Meanwhile, the formal reporting of the Council's financial position continued to be reassuring.

43. This picture is confirmed by work that was being conducted in parallel within the Place Directorate. The Strategic Director, who joined the Council soon after the 2014/15 budget was approved, had also developed serious doubts about the achievability of planned MTFS savings by the Summer of 2015 as the Directorate was clearly failing to deliver savings expected from investment in commercial property. These concerns were apparently expressed by him to the then City Director in a one to one meeting on 13 July 2015 and again in a Place Baseline presentation to an SLT awayday on 7 September 2015 on the overall position of his Directorate. This presentation, which appears to have been written on 5 August 2015, concluded:

> "The Directorate is working at maximum capacity. The document does not set out risks but the overarching risk, which is not stated corporately, is that the senior leadership and officers of the directorate remain too stretched for too long and that inevitable human failure and so service failure will occur"

Again, these fears and reservations were not expressed in public reports, though they may have been conveyed privately in discussions with the relevant Lead Member.

44. I have seen other evidence too of delivery risks associated with the Change Programme being understood but not reported. For example, on 11 June 2015 the Service Director, HR and the Service Director, Business Change and ICT met with the then City Director and the Strategic Director, Business Change to express concerns that benefits from the Change Programme were "drifting". As an outcome of this meeting the Service Director HR then drafted an approach to a second tranche of workforce reductions which was eventually put to the Change Board for approval in September 2015, but I have been unable to locate any report to the Mayor or Council Members informing them of this.

45. In general, I am satisfied that where responsibilities were clear they were taken seriously, and that Strategic Directors kept their spending and the factors that drove it under constant review. They also had a good understanding of their budgets and the linkages between different elements of Council expenditure. For example, the Strategic Director, Neighbourhoods was highly alert to the impact on Home to School Transport costs of the pressures on homelessness and increase in expenditure on temporary accommodation. But there was not the same level of transparency concerning the delivery of SCP savings as existed in relation to the Mayor's savings; there were no detailed delivery plans for SCP projects which had not been allocated to Directorates; the risks of non-delivery of these projects were not fully appreciated until a late stage and arrangements for monitoring benefits realisation were inadequate. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, I believe the Council should ensure stronger governance arrangements and clearer Member oversight.

46. As acknowledged at paragraph 27 above, once it became apparent corporately that the Council faced a likely overspend in 2015/16 the Mayor and council Members were informed and action was action was taken to remedy the situation with the result that the Council was able to deliver a balanced outturn for 2015/16. The measures adopted and their significance for the 2016/17 budget are dealt with further below.

Cost Drivers and the Reasons for Spending Pressures

47. The third specific issue within my Terms of Reference was "the identification of the reasons and cost drivers for the overspending/pressures associated with the Change Programme". Put simply, the Council did not respond quickly enough, or rigorously enough, to the financial pressures it first began to quantify and articulate when preparing the original MTFS as part of the 2014/15 budget process. Even at that stage it was known that further cost reductions were likely to be necessary beyond the MTFS period, which ran to 2016/17, so it is possible to argue that the original MTFS savings requirement was insufficient, although it is also true that the full scale of the additional cost pressures did not become apparent until the summer of 2015, as a result of the work undertaken within Directorates which is described in the section above.
48. Moreover, as mentioned at paragraph 12 above, the Change Programme was conceived and managed primarily as an organisational development project rather than a savings exercise. There were weaknesses in its governance, most notably the absence of a clear role within it for the Council's Finance function and hence its disconnection from the Council's financial monitoring and budget processes. But failings within the Finance function itself and frequent changes in the leadership of it were also important contributory factors to the failure to take remedial action early enough. I comment on the Council's Finance function in more detail below.
49. In addition, there was, at least initially, some double counting within the savings claimed of the Change Programme and there was a widespread failure among both officers and politicians to appreciate the consequences of slippage between years in the savings that were achieved. The initial cost of securing many of the recurring savings, while understood, was also under-estimated.
50. None of this, however, should detract from the fact that the financial pressures which the Council faced throughout the period I have examined were very severe and not of its own making. There is hardly a council anywhere in the country with responsibility for social services which is not struggling to cope with rising demand for social care, especially within adult services, as a result of increased longevity within the population and rising costs resulting from the inability of providers to deliver services of an acceptable quality at prices which local authorities have in the past been accustomed to paying. In Bristol's case these problems have been particularly acute because of the continuing increase in the population of the city and the absence of a multiplicity of competitive providers of adult care. As stated in the Council's 2016/17 budget report:

    > "Demand pressures across social care and in particular adult social care have been well documented nationally. The Council is facing considerable pressures in this area with a current projected spend in 2015/16 of £7.2m over budget."

51. The Council has also faced additional cost pressures from rising national insurance contributions, which are a consequence of the introduction of new state pension arrangements, and from new legislative responsibilities such as the Apprenticeship Levy and the Care Act and these have been consistently and comprehensively disclosed in reports to Members. For example, a table contained within the 2014/15 budget report presented to the Council meeting on 18 February 2014, identified unavoidable cost pressures in 2014/15 totalling £9.424. Of these £5.266m related to additional employment costs including pay awards and rising pension costs.

52. In the MTFS update included as part of the 2015/16 budget papers the costs pressures were described as follows:

	2015/16	2016/17	2017/18
	£m	£m	£m
Pay and Inflation Pressures			
Pay Inflation – 2.2% pay award from January 2015	2.2	4.0	7.6
Pension Costs – Actuarial Valuation 2016	-	-	1.8
Contract Inflation	-	-	3.4
Total	**2.2**	**4.0**	**12.8**
Other Cost Pressures			
Welfare Support Funding	1.9	1.9	1.9
Health and Social Care – Adult Purchasing	1.9	1.9	1.9
Health and Social Care – Home Care	0.8	0.8	0.8
Deprivation of Liberty	1.0	1.0	1.0
Homelessness (Bed & Breakfast)	0.8	0.8	0.8
Asylum Seekers	0.3	0.3	0.3
Children's Services Placements	0.5	0.5	0.5
Care Act	0.5	0.5	0.5
Emerging Pressures	-	1.6	4.1
Less – Existing Budgetary Provision	(3.9)	(7.2)	(6.1)
Service and Demand Pressures	**3.8**	**2.1**	**5.7**

In this table the £2.2m for pay inflation represents the additional cost of the 2.2% pay award as compared with the 1% previously assumed.

53. The budget report approved by the Council on 16 February 2016 summarised the cost pressures for 2016/17 as follows:

	£m
Pay and Inflation	12.6
New Burdens – Care Act 2014	2.6
Cost Pressures – Adult Social Care	3.5
Cost Pressures – All other services	1.7
Total	**20.4**

In addition, the Council approved a special contingency provision for adult social care of £3.4m.

54. Quite apart from these cost pressures, it would be hard to overstate the importance or the scale of the withdrawal of government funding that Bristol, along with many other councils, has experienced over the last few years. The original MTFS anticipated loss in central government grant income of £73.937m over the period of the plan, from £133.937m in 2013/14 to an estimated £60.000m in 2017/18, or some 55 per cent. This was expected to be offset by £24.371m in additional income from business rates, council tax and other sources, primarily the New Homes Bonus. The net loss of resource over the period was therefore identified as £49.566m. This was updated in the 2015/16 budget report which showed forecast income from central government declining as follows:

	New Homes Bonus £m	RSG £m	Total £m
2013/14	7.3	133.9	141.2
2014/15	9.8	110.4	120.2
2015/16	11.8	80.4	92.2
2016/17	13.1	60.4	73.5
2017/18	12.2	48.4	60.4

This represents a reduction of £80.8m, or some 57 per cent during a four year period.

55. Because of all this the need to make the savings envisaged in the MTFS was clearly critical to the Council's financial stability. The failure to do so was therefore an important and additional reason for the overspending that emerged during 2015/16 and the forecasted 2016/17 deficit as at the end of June 2016.

Business Cases and Assumptions Supporting the Change Programme

56. The fourth issue I was asked to address was to provide "an assessment of the robustness of the Business Cases and assumptions supporting the Change Programme and the frequency of review to update underpinning assumptions etc". In the case of the Change Programme itself, the Business Case appears only to have been produced several months after the Programme was initiated. I have been advised that it was signed off by the Cabinet in July 2014 and I have seen a document titled "Bristol City Council Change Programme – Business Case 2014/15-2016/17" (the Business Case) which was clearly prepared around that date as it states:

    > "The prolonged period of austerity requires the council to reduce its operating budget by a further £85m in the three year period from 2014/15 to 2016/17. This was confirmed in the Medium Term Financial Plan approved by Council on the 18 February 2014."

    It also states:

    > "The Change Board has been working since 1st October 2013…."

    It is therefore possible that the formal Business Case was not prepared until at least five months and perhaps as many as nine months after the original decision to bring together different organisational development and savings projects into a Single Change Programme.

57. The report to Cabinet on 1 July 2014 which described the Change Programme in detail for the first time is quoted at paragraph 28 above. There is no reference in that report to the document mentioned in paragraph 56 above which has been described to me as the business case for the Change Programme and I have been unable to ascertain whether Members ever saw that document. It may have been the basis of a presentation to the Business Change and Resources Scrutiny Commission on 14 August 2014, but I have been unable to verify this. The report to Cabinet was not itself a business case and the separate document I have been able to examine is undated. It takes the form of a Microsoft PowerPoint presentation so it is possible that it was prepared with a view to explaining to a wider audience within the Council a series of decisions and the reasons underpinning them outlined in a more detailed Business Case prepared earlier.

58. But if so, it is not merely a summary as it comprises 44 slides, several of which contain a great deal of text. There is no indication within it of who prepared it, or to which body it was presented. Nor is it a Business Case in the sense in which this term is usually understood. It does not seek a decision on an investment proposal as the decision to establish the Change Programme had already been taken and the Programme was already in existence. For the same reasons, it does not explore alternative options. It contains a clear description of the context in which the decision to establish the Change Programme was taken, including its connection with other plans and strategies and the financial and other pressures facing the Council. But the closest it comes to explaining why the Change Programme was the best way of tackling these pressures is the observation that:

    > "to address the scale of challenge for 2014-17 it was clear continuing as we had done would not work and a new approach to the delivery of change was needed."

59. There are other deficiencies in it. For example:

    - The case for bringing different pre-existing initiatives together under single management is in large measure argued by the need to change the culture of the council – moving from a previous culture in which the council operated inconsistently, with much duplication and poor communication between Directorates towards an objective described as:

    > "We want to operate as one streamlined council, not a collection of disparate departments. Common systems and ways of working and the experience of driving change together will give us the stability we need to face the future."

    But in view of this, there is no explanation of why the decision was taken to manage a substantial proportion of the financial savings needed by the Council at a Directorate level, outside the Change Programme. What was generally referred to within the Council as the Single Change Programme was, in reality, never any such thing.

- An important part of the context described in the Business Case is "savings of c£70m in the previous three years". But if these savings were achieved it is unclear why the savings of £64m, required of the Change Programme necessitated a radically different approach.
- Many elements of the Programme required investment and there is reference to the existence of Business Cases supporting projects that had been approved prior to October 2013. But there is no analysis of the investment that would be required for particular workstreams going forward, merely an identification of the funding that might be available to support it.
- There is no sensitivity analysis of key underlying assumptions, although there are clearly stated arrangements for monitoring and review.
- There is no risk analysis or discussion of alternative options in the event of failure.
- There are no key milestones identified for the different elements of the Programme.

For these and other reasons, including those cited at paragraph 31 above, I believe it is questionable whether there was ever any realistic prospect of several of the workstreams included within the Change Programme delivering savings at the level expected of them.

60. However, I do not doubt that towards the end of 2013, and especially during the 2014/15 budget process, a clear need was identified to demonstrate stronger corporate leadership and secure broader management ownership of the necessity of making further significant budget savings within BCC and that the Change Programme was seen as the best way of doing so. Nor do I doubt that there was buy-in to this from the top tiers of the Council's management, at least initially, together with a general recognition by them that without both cultural change and significant cost reduction it would prove impossible to deliver the Mayor's vision for the City.

61. In relation to individual elements of the Change Programme I have not attempted to verify that Business Cases in one form or another existed in all instances. I have been told that in a few instances they did not exist or were approved as Chair's Business, but I believe this was exceptional. I have seen sufficient examples of Business Cases to persuade me that where investment was required to achieve planned savings they were, at least mostly, prepared and considered by the Change Board. I have also noted that one of the findings of the internal audit review quoted at paragraph 30 above was that

> "No project can be started without a business Case which is approved and monitored by the Change Programme Board"

62. However, many of the business cases I have seen are high level documents, containing little detail and no indication of the degree of substance underpinning them. There was also very little consideration, at least in formal reports to the Change Board or to Cabinet, of the implementation issues that would arise or the plans for addressing them. Likewise, there appears to have been no routine review by the Change Board of the underlying assumptions on which approved projects were originally premised. This was another of the conclusions of the review of the Council's Finance function referred to at paragraph 19 above. It resulted in a specification for additional consultancy support being requested in which the requirement was described as follows;

> "A recent review of the BCC Finance function has identified that the business cases developed to support (the Change Programme) have not been rigorously maintained and as a result the linkages between the finances of the council and the business plan delivery no longer exist in some cases.

As a result the BCC has determined that there is a need to commission consultancy support to

a) Update the business cases to ensure that they are accurate and reflect the most up to date position in terms of investments, deliverables and savings

b) Make recommendations as to how to bring any projects that have fallen short of the original savings and benefits delivery back on track

c) Ensure the linkages between the business cases and financial plans are robustly aligned, accurate and risk assessed...."

In the event the additional consultancy support was not commissioned.

63. I am nevertheless satisfied that, at least in relation to the savings projects being managed by Directorates outside the Change Programme, there was often a great deal of analysis and challenge underlying the assessment of what was achievable. Throughout much of 2015, Directorates were supported in this analysis by external consultants EY and KPMG and I have seen evidence that the work of these consultants was both of a high quality and also subject to reality checking by Directorate Leadership Teams.

64. However, it is important to emphasise that this is true only in relation to those projects forming part of identified and agreed savings programmes. The Council's 2016/17 Budget included savings ascribed to the Change Programme totalling £32.1m which had not been allocated to Directorates. For many projects that would be needed to deliver these unallocated savings, no detailed business case existed, although it is fair to say that officers had undertaken work which could lead to the identification of specific projects to address some of this. In addition, where business cases did exist the underlying assumptions were not always frequently reviewed, although there was some review within Directorates which was shared corporately. It was this review process which led to the identification of emerging pressures on demand-led budgets in 2015/16 and the establishment of the Directors' Working Group in January 2016 which is referred to at paragraph 22 above.

65. In conclusion, I would add that there is currently no agreed definition within the Council of what a proper business case should look like, so those I have seen are in many different forms and of varying quality. If it has not already done so, I recommend that the Council should adopt a more disciplined, centrally driven approach to business cases supporting investment decisions or savings projects. As in other organisations, both public and private, it should adopt a standard template of what constitutes an acceptable business case and agree a standard procedure though which the template must be completed and approved before investment is authorised.

Budget and Savings Review Processes

66. My Terms of Reference called for "an examination of the member/officer review processes for the assumptions underpinning the 2015/16 and 2016/17 budget and savings proposals". As mentioned above, there is a distinction to be made between savings allocated to Directorates and those which were to be managed centrally. I believe that wherever possible in future, the Council should ensure that responsibility for the delivery of specific savings initiatives is allocated to Directorates so that ownership of savings programmes and accountability for them is clear. There is also a distinction to be made between the 2015/16 and 2016/17 budget processes which differed in some key respects. The lack of continuity in the leadership of the finance function during the crucial period leading to the adoption of the 2016/17 budget was a critical factor in subsequent difficulties.

67. So too was the absence of a thorough review of the MTFS. 2016/17 was the last year of the original MTFS adopted in February 2014, so it would have been preferable for a new strategy to have been developed, consulted upon and approved. Instead in a report to Cabinet on 3 November 2015 on "Arrangements for 2016/17 Budget Consultation", which was presented for information only, it was stated that:

> "The Council approved a comprehensive three-year financial framework/medium term financial strategy in February 2014 covering the period 2014/15 to 2016/17. This included detailed proposals to ensure a balanced budget requirement across all three financial years. This was updated and approved in February 2015.
>
> Extensive consultation was undertaken on the financial plans when the three year budget was originally established. 2016/17 will be the third year of that approved framework, and other than the level of council tax, no significant changes are proposed."

To some extent this was an understandable decision as a detailed review and update of the council's medium term financial strategy was planned to be carried out in summer 2016. But in view of the knowledge that existed within the Council at the time of the mounting financial pressures it was not without risk. Had the MTFS been thoroughly reviewed and updated, as it was in 2015/16, it is possible that the scale of the mounting financial pressures would have become more apparent to all.

68. There was however some analysis within the 2016/17 budget report of the likely position looking forward to 2019/20 and in the case of both 2015/16 and 2016/17 there was an explanation within the Budget report itself of the spending requirement and the basis on which this had been assessed. The savings proposals also reflected the outcome of a public consultation, albeit severely limited in respect of 2016/17, which itself had been the product of informal discussions between Council officers, the Mayor and Leading Members.

69. In the case of the 2016/17 budget there were initial discussions within SLT and the Change Board on 4 August 2015 which identified a likely significant budget gap and at which Directorates were asked to consider the impact on their services of 20 per cent budget reductions as insufficient proposals for achieving the required savings had been forthcoming from Directorates. At that stage the information available to SLT suggested that £23.2m in savings had been delivered and initiatives to deliver a further £18.1m were under way. The minutes of the Change Board meeting record that:

> "MW tabled the slide that had been discussed at SLT that morning on the challenge currently facing the organisation in terms of the size of the savings challenge and the pace at which we now need to operate to address this....

To note:

- Options for meeting the challenge: Change Board were reminded that currently we do not have the authority to cut services and that this is still very much viewed as the absolute last resort once all other options to realize the savings have been fully exploited. The primary route for realizing savings, therefore, and where significant opportunity is the efficiency agenda.

- Applied programme is a vessel: Change Board were reminded that the Applied Programme won't deliver anything on its own and that we (as an organisation) play a key role in ensuring we put the right things into it to achieve the desired outcomes. It was recognised that to date the ideas and opportunities identified from the DLTs so far haven't met the redesign savings target and at the required pace .... it is difficult to plan and allocate resources when we don't know what's coming when – therefore we need to reconsider our approach to move to a more top down, directive model. ....
- Consider the scenario of 20% less - Change Board members were encouraged to consider the scenario of 20% less budget, what would the response to this be in a context of not cutting services – which areas would you target making a change in first? If that level of saving is not felt possible, then Change Board members were encouraged to consider sustainable income opportunities that could address any shortfall in the 20% savings target."

70. Following this discussion, consultants were appointed to assist the Council in developing proposals to bridge the likely budget gap. EY, which had been working with the People Directorate for several months, was asked to assist in developing sustainable budget plans for all Directorates and KPMG was appointed to develop proposals for additional income generation. I have no doubt that Leading Members were aware of this work and that the emerging proposals were discussed with them. They were also discussed collectively within Directorate Leadership Teams and at SLT where they were subject to an appropriate degree of peer challenge and several of the proposals were, quite properly, rejected as unworkable or a duplication of activity that was already ongoing. The emerging savings options were also discussed at a joint Cabinet/SLT awayday at which the proposals for inclusion in the public consultation document on the 2016/17 budget were agreed. However, politically sensitive proposals which officers nevertheless considered to be necessary were excluded from the budget consultation document.

71. In addition, following this consultation there was a review of the 2016/17 budget assumptions by the Business Change and Resources Scrutiny Commission which held meetings on 14 December 2015 and 4 January 2016 to consider presentations from each Directorate. However, it should be noted that Members expressed dissatisfaction at the quality of the information provided for these meetings. At the meeting on 14 December 2015 the following motion was moved:

> "The budget information contained within the report provided to the meeting of the Business Change and Resources Scrutiny Commission is woefully inadequate for the purpose of meaningful scrutiny.
>
> The Commission is of the view that if it attempts to begin scrutiny of the budget using the papers provided that it may mislead the public into believing that adequate scrutiny of the Mayor's budget has taken place.
>
> This meeting is therefore adjourned and will only reconvene as and when adequate documentation has been provided along the lines of that which was provided four years ago for the 2012/13 budget"

After some discussion and a brief adjournment this was put to the vote with three Members for it and three against. It was then rejected on the Chair's casting vote. The meeting then went on to discuss the budgets for the People and Business Change Directorates. Following the discussion on the People budget, at which the work undertaken by Ernst and Young was shared with Members the minutes of the meeting record that:

> "The Chair concluded that the presentation had provided an overview which resulted in a better understanding of the current and future position, but commented that without a detailed breakdown of the budget it was not possible to ask probing questions and

therefore did not provide value in terms of scrutiny."

In relation to the discussion of the Business Change Directorate the minutes record that:

> "It was noted that the presentation included mainly business as usual figures as the invest-to-save technology was accounted for within the Change Programme."

72. The meeting on 4 January 2016 appears to have been more harmonious and the discussion more detailed and it is clear that Members were more satisfied with the information presented to them. However, having examined the reports presented to each of the two meetings I do not consider that they provided for adequate scrutiny of the key budget assumption concerning the delivery of savings. I have not attempted to compare these reports with those presented for the 2012/13 budget mentioned in the motion at the December meeting as that was before the adoption of the MTFS. Instead, I would observe that while there were in general good explanations of the factors giving rise to additional spending pressures and some information on savings being managed by Directorates there appears to have been little or no discussion of the realism of savings assumed from the Change Programme. In the presentation from the Business Change Directorate for the meeting on 14 December 2015 there was no analysis of the overall position in relation to the Change Programme. Instead there is merely a slide showing the reductions in services such as Finance and IT which directly impacted upon the Directorate's budget with a heading which stated:

> The savings below are those agreed as part of the 3 year MTFS framework. In addition to these, Business Change supports the delivery of the Change Programme savings of £64m. ..."

73. My conclusion therefore is that there was some, though not a hugely extensive, degree of involvement by Members and review by senior officers of the spending and savings proposals which were eventually included in the 2016/17 budget, but this was inadequate. It was overly focused on new spending pressures and did not recognise the importance of the underlying budget assumption concerning the delivery of previously agreed savings. Moreover, it was not made clear to Members that, as indicated above, the 2016/17 budget included unallocated savings of £32.1m and although there had been much discussion among officers of how these might be found they had failed to identify sufficient realistic opportunities. In addition, there was no Member with clear responsibility for ensuring that the assumption they would be delivered was robust.

74. Politicians were aware that action had been taken in relation to projected overspending in 2015/16 and that a balanced outturn for that year was projected. They therefore believed they had a balanced budget for 2016/17 but did not fully appreciate the extent to which this depended on the achievement of unallocated, and to a considerable extent also unidentified, savings. Nor was there a proper realisation among Members that as the 2015/16 outturn had been balanced only with the help of non-recurring savings the 2016/17 budget assumption that the 2015/16 savings programme had reduced the Council's expenditure base by £31m could not be relied upon.

Foreseeability of 2015/16 and 2016/17 budget pressures

75. The next specific item I was asked to look at was "an examination of the processes to review and mitigate the 2015/16 in-year budget pressures or saving delivery assumptions leading up to the setting of the 2016/17 budget. This should include the extent to which the in-year pressures could be anticipated by the Senior Leadership Team in advance of the 2016/17 budget setting." As indicated above, it was apparent to some Service Directors from a point soon after the beginning of the 2015/16 financial year that pressures on demand-led budgets were likely to be greater than anticipated and steps were taken to address this issue. I have no reason to believe that this could have been done in advance of the 2015/16 budget decisions although the reasons differ for each Directorate. For example, in the case of the People Directorate the work commissioned from EY was undertaken during January to March 2015 and the results were not presented until after the 2015/16 budget had been agreed. Even then the emerging proposals took several further months to assess and prioritise.
76. When it became clear that there was a risk of a corporate budget overspend in 2015/16 the Council took prompt and effective action which is detailed in the section below. But it failed to appreciate the full implications of the remedial action taken in 2015/16 in relation to its ability to cope with similar pressures in 2016/17. What was described as a "stocktake" was initiated to identify budget headings which had traditionally underspent and these budgets were reduced to fund pressures elsewhere. Partly as a result of this, though mainly due to underspending on corporate finance budgets, an overspend in 2015/16 was avoided and the Council entered the 2016/17 financial year with its reserves intact, although as is described in more detail below it ought to have been apparent to the Mayor and council Members as well as to officers that as in 2014/15 and referred to at paragraph 35 above, recurring financial pressures in 2015/16 were resolved through largely non-recurring savings, with obvious implications for 2016/17.
77. Moreover, such fat as had previously existed within the budget, perhaps as much as £8m, had been removed and senior officers within the Council had become aware of both slippage in previously agreed savings programmes and the previous underestimation of spending pressures. This prompted the action already described to identify further savings in advance of the 2016/17 budget but it did not prove possible to bridge the gap in its entirety so the Council agreed a budget for 2016/17 containing a large element of unidentified or unapproved savings.
78. It should be noted too that the way in which the in-year budget reductions occurred in 2015/16 created some difficulties within the Council. There was little or no consultation with Service Directors with the result that the implementation of some savings projects, especially those focused on income generation, was further delayed. And the public reporting was superficial, although I have been told that in private Leading Members were kept better informed.
79. It is difficult therefore to escape the conclusion that at least in the period after the Change Board meeting on 4 August 2015, referred to at paragraphs 40 and 69 above, when it was reported that only £23.2m of the planned £64m Change Programme savings had been secured and new spending pressures were intensifying, substantial non-delivery of the £112m agreed MTFS savings was wholly predictable. Hence, the in-year pressures which emerged during 2016/17 could have been, or in fact were, anticipated in advance of the 2016/17 budget setting although not everyone concerned will necessarily have appreciated the full scale of the problem.
80. This lack of awareness is apparent from the different ways in which the progress of the combined savings programmes was reported in budget monitoring reports as compared with the reporting to Change Board and Cabinet on the Change Programme. In the case of the former the focus was on the in-year savings requirement and its importance to the stability of the agreed budget. For example, the Quarter 1 Finance Report presented to Cabinet on 1 September 2015 reported a forecast net overspend of £2.0m for 2015/16. But in respect of the budgeted in-year savings of £31.0m for that year the report explicitly states that:

> "It should be noted that the delivery of this scale of savings is increasingly challenging. Progress is monitored on a monthly basis and delivery of the savings is assumed within the forecast spend information reported. In the event that savings are not delivered, the Council would forecast an overspend unless other mitigating savings could be found. To mitigate this risk, a corporate exercise is underway to review current budgets for expenditure and income to identify areas of potential further efficiencies. This is particularly relevant to ensure that the next tranche of savings for 2016/17 are delivered."

The same sentences appear in the Q2 Finance Report presented to Cabinet on 24 November 2015, when the net forecast overspend for the year had risen to £2.8m. But, in contrast, reporting on the Change Programme tended to focus on the anticipated full year effect, by the end of 2016/17, of savings already secured or projects under way and did not include progress with other savings programmes until a late stage.

81. It is also apparent that, even given this weakness in reporting arrangements and failure to understand key budget assumptions, officers consistently misinterpreted the significance of the financial information they were receiving about the Change Programme, which is likely to be the reason that it was presented to Members in a misleading light. Hence:
    - In a report to the Change Board on 16 June 2015, it was reported that £41m of the £64m savings to be delivered by the Change Programme by the end of 2016/17 were at amber or red status.
    - The same information was included in report to the Change Board on 4 August and 15 September 2015 and a report to Cabinet on 6 October 2015.
    - By 20 October 2015 the Change Board was being told that £32.6m of the total Change Programme savings were at amber or red status. Of which projects to deliver £14.7m had yet to be identified.

    It should be noted that red status in this context meant that there was no likelihood of the project in question delivering savings in the current year, while amber meant that projects had been initiated or identified which might potentially deliver some savings in the current year but not at the level identified in the Business Case. In other words, more than halfway through the MTFS period and less than six months before the end of the 2015/16 financial year, by which time £42.5m of savings were supposed to have been delivered, officers were only confident of their ability to deliver savings of £31m by the end of 2016/17, of which £21.1m related to the restructure programme which would not be achieved in full by the end of 2015/16 and would not all be attributable to the General Fund.

82. On 19 January 2016 a further report was presented to the Change Board which attempted to bring together information regarding the progress of all the different savings initiatives. The minutes of that meeting record that:

    > "Our current MTFP (14/5-16/17) identifies a savings total of £112m to be delivered by the close of financial year 16/17, with the full impact effected in 2017/18. .... Currently, £43m of this savings total remains at amber or red status.
    >
    > > The Single Change Programme contributes £64m to the total savings target – current position is £22.1m redesign related savings are at a red or amber status providing the minimum target for the next 12 months delivery plan. This a is a minimum as the £22.1m target assumes £8.7m of non-redesign related programme red/amber savings are delivered AND assumes all elements of the Mayoral Savings and Legacy Programmes (the remaining elements of the MTFP) are delivered)."

    Highly unusually, the minutes of this meeting are headed "CONFIDENTIAL – CHANGE BOARD ATTENDEES ONLY" and the minutes do not record either of the two interim s.151 officers who held that post on that day as having been present. The minutes go on to explain the reason for confidentiality as follows:

> "Given the nature of the discussion at Change Board and the fact that the detail of the material presented is yet to be validated it was requested that the minutes and papers associated with this meeting are to remain confidential to Change Board members until further notice from the Chair"

83. The meeting of the Change Board referred to in the paragraph immediately above was the meeting at which it was agreed to establish the Directors' Working Group referred to at paragraph 22 above. It took place a week after the Cabinet had received the 2016/17 budget report and agreed the recommendations to be put to the full Council meeting on 16 February 2016. The Director's Working Group reported to SLT on 19 February, three days after the budget meeting of full Council, and confirmed that there was little confidence in the likely achievement of £43.5m of the original £112.6m of savings included in the MTFS. Moreover, it was able to identify only £9.3m to £15.8m of possible alternative savings to plug the gap, thereby suggesting a likely budget deficit in 2016/17 of £28m to £35m.

84. Following the SLT discussion a presentation was made to the Change Board on 8 March 2016. This identified under-delivery of previous years' savings targets totalling £18.9m, which together with the target of £35.4m included in the 2016/17 budget meant a requirement for in-year savings of £54.3m against a budget of £342.0m. This was therefore known within the Council before the commencement of the 2016/17 financial year. The Change Board six monthly monitoring report to Cabinet on 5 April 2016 acknowledged the difficulties for the first time but did not mention that the savings requirement had risen to £54m and it remained optimistic in its tone. It stated:

> "To date, the Change Programme has realised £33.3m of the total £64m target set out in the MTFP. As we approach the last 12 months of the programme, benefit delivery confidence comes into sharper focus and adjustments have been made accordingly in relation to original planned targets and some areas where risk to achieving the full saving as originally outlined has been identified. Detailed work is now actively underway to create the savings plan for 16/17 which will provide detail as to how the £30.7m (all amber and red savings) will be achieved with an accompanying delivery plan detailing when and how."

85. I think it unlikely that there was any wilful attempt to mislead the Mayor and Cabinet members through these reports, though they would undoubtedly have had this effect. The papers I have seen suggest that there was a lot of activity taking place to identify fresh savings options and that officers were at that stage still hoping for the best, while perhaps also by then fearing the worst. Since the summer of 2015, at least in private, they had not been in total denial about the difficulties the Council faced. But because of this, the fact remains that an overspend in 2016/17 was entirely foreseeable and was in fact foreseen before the beginning of that financial year. It could have been predicted in July or August of 2015 and was certainly considered to be likely from that date by some senior figures within the Council, and by a much wider group from November 2015 to January 2016. There was a belief however that as the Council had managed to retain significant reserves in the 2015/16 outturn it would be able to manage its way through the difficulties confronting it in 2016/17. This assumption, which had not featured in budget decisions or indeed in any public report, that a balanced outturn in 2016/17 would most probably be achieved through the use of reserves can at best be described as artful.

Mitigation of 2015/16 Budget Pressures

86. I was asked to provide "an assessment of the robustness of the Delivery Plans in place to address these 2015/16 pressures". As already stated, Directorates were working throughout that year, at times with the support of external consultants, to quantify demand pressures on their services and to identify savings or income generation opportunities. The quality of that work was of a high standard and many of the ideas which emerged from it were subsequently pursued. EY, the consultants who had been working with the People Directorate were asked to extend their work across the whole Council in the summer of 2015 and what were described as Directorate Sustainable Plans were developed and presented to Change Board on 8 December 2015. Separate consultants, KPMG, were appointed to develop cross-Council proposals on income generation.
87. But at the same time the corporately managed savings programmes which were being overseen by the Change Board were not delivering savings on the scale or at the pace required of them. When this was fully recognised at a corporate level as being likely to give rise to a budget overspend further, prompt and effective action was taken. At the Change Board meeting on 1 September it was recognised that compulsory redundancies might be needed and consideration was given as to whether to trigger the necessary statutory formal consultation with trade unions. A specific proposal to do so was brought forward at the following meeting on 15 September 2015, with the aim of achieving workforce reductions of £24.1m by March 2016. A spending freeze on inessential or uncommitted expenditure was imposed on Directorates, commencement of capital projects was delayed and what was known internally as a stocktake or review of the base budget was set in train. This identified several budget headings that had persistently underspent and money was transferred from those budgets to others facing greater pressure. In effect, the hidden contingency that had previously existed within the budget was removed. This had the inevitable, but unobserved, consequence of reducing the Council's room for manoeuvre when fresh problems emerged in 2016/17, for much the same reasons as those encountered in 2015/16, namely the failure to achieve planned savings at the required level.
88. Moreover, the budget stocktake conducted in the autumn of 2015 was not without pain in other respects. In a memo to the then City Director, dated 30 October 2015, the Strategic Director, Place stated:

> "Post the Budget Adjustments, which were carried out by corporate finance without consultation with their finance business partner's colleagues and the leadership of the Place Directorate, I now find that I am projecting a £5m overspend for this year. I expect this will be reported to SLT next week. I find this difficult to accept . .... Within the Budget Adjustments
>
> a) There are significant areas of duplication which are capturing savings already accounted for in property and energy.
>
> b) There are also new income pressures on services
>
> c) There are incomes transferred which need to be ring-fenced to other delivery e.g. (parking income) PCNs need to be used in the highways development etc."

His memo went on to complain that he understood the in-year budget adjustments totalling £5.6m, required to produce a balanced outturn across the council for 2015/16, were to be reflected in the base budgets for 2016/17 which would mean that he would then be facing a 19% contraction in his budget for 2015/16 of £29.6m. In the event, budget reductions arising from the stocktake exercise were reversed pending further discussion within SLT.

89. Other Directorates shared similar concerns about the council's financial stability, so in the autumn of 2015 the Council also asked EY to assist it in developing sustainable budget plans for each Directorate and towards the end of that year the s.151 officer who had been in post since around July 2014 left the Council and the Strategic Director, Business Change commissioned consultants to undertake an independent review of the Council's Finance function. The previous Deputy became the interim s.151 but held this post for only a few, albeit critical, weeks. An external consultant was appointed as the s.151 officer on an interim basis with effect from 19 January 2016.

90. As already stated, that was also the date at which the Change Board was informed of a likely budget gap in 2016/17 of £43m and established the Directors' Working Group, also occasionally referred to as the Verification Group, to verify these projections and report to SLT, which it did on 19 February 2016. The conclusions of the SLT discussion were then reported back to a meeting of the Change Board on 8 March 2015, by which point it had been recognised that under-delivery of savings from 2014/15 and 2015/16 totalled £18.9m, which together with the planned in-year savings for 2016/17 of £35.4 made the starting position for 2016/17 a savings requirement of £54.3m. Despite the work that had been undertaken in the previous six months, Directorates had succeeded in identifying only limited opportunities to meet this requirement leaving £28m-£35m still to find.

91. In an admirably frank summary of the conclusions emerging from the SLT discussions, the 8 March 2016 Change Board meeting was told:

- "We are falling short of where we need to be – currently forecasting a significant miss in our MTFS target
- Change Programme forecasting under-delivery on planned savings (BWP, Asset delivery, Facilities Management, Cat Man and digital advertising savings)
- The view has improved from the work of the verification group
    - o We believe we can recover some of the Mayoral and Legacy savings
    - o X-cutting opportunities should still deliver but we need a different approach
- Broad alignment between Sustainable Directorate Plan totals and EY predictions
- Applied programme is increasing confidence and totals with each cohort but not enough has come into the pipeline quickly enough
- Organisationally good at identifying savings, but not strong at delivering them: £28-£35m gap would be more like £8-17m had we delivered the above"

92. That same presentation then went on to analyse lessons learned from late or non-delivery of the Mayoral savings. A part of the reason was identified as the political unacceptability of the proposals put forward, with non-statutory free travel, library closures and local bus services cited as examples. But there was also an acknowledgement of failings on the part of officers. In respect of reducing the cost of Council buildings the problems were identified as:

- "Assessment not accurate
- Overall lack of pace/urgency/prioritisation
- Confusion with BWP"

Finally, looking at the savings programme as a whole, the conclusion was:

- "We still are not mature enough for an opt-in one Council approach
    - o Still a tendency to promote savings that cannot be delivered
    - o We are good at naming big figures, less good at qualifying them"

It is impossible to dissent from this analysis nor from most of the SLT views summarised in the presentation about what needed to be done, particularly the following:

- "We need a specific approach to benefits realisation
- We need to allocate savings so they don't just 'sit' with the Change Board
- Finance need to track savings and how we do that
- Define our control environment and enforcements for it
- If there was individual accountability would things be different"

It is however surprising that it took two years into the three year Change Programme for officers to come to these conclusions.

93. In broad terms, my observation of all of this is that although senior figures within the Council took their responsibilities seriously and the steps taken to address the forecast overspend were both appropriate and necessary, the need to do so provides evidence of a collective failure of leadership, for which politicians must also accept a degree of responsibility. The measures taken proved adequate, at least in terms of balancing the 2015/16 outturn. But they were essentially panic measures and were mostly of a non-recurring nature, although this was not clearly explained to the Mayor and BCC Members until after the approval of the 2016/17 budget. The measures taken could not properly be described as Delivery Plans to mitigate 2015/16 budget pressures as the Council only began to take action at a late stage in the financial year, when no other approach would have been capable of achieving the same result.

94. As the 2015/16 Full Year Outturn report presented to Cabinet on 4 July 2016 makes clear, the major contribution to bringing the 2015/16 budget into balance was a 17 per cent underspend on the capital programme which in turn resulted in a £6.6m underspend on capital financing costs, although an element of this underspend is also explained by debt re-profiling. Against an approved capital programme of £240.5m, the Council only spent £199.9m, or £40.6m less than planned. Capital projects totalling £61.1m were delayed and no additional borrowing was undertaken in the last quarter of the year.

First Quarter Mitigation of 2016/17 Budget Pressures

95. I was also asked to provide "an assessment of the delivery plans in place during the first quarter of 2016/17 to mitigate the 2015/16 budget pressures". The way in which the 2015/16 budget pressures were addressed has been dealt with in the section above. I have therefore assumed that this element of my Terms of Reference invites me to comment on the way in which the pressures on the 2016/17 budget were dealt with in the first quarter of that financial year, once the fragility of the 2016/17 budget became apparent. In summary, I have no significant criticism to make of the action taken, although I consider that prior to the Mayoral and Council elections in May 2016, public reporting of the difficulties confronting the Council was less frank than it should have been.

96. This is also true of internal reporting where, in the run up to the 2016/17 budget decisions, there still appeared to be as much of a focus on avoiding embarrassment as addressing the problem. For example, I have seen an email dated 27 January 2016, sent by the Strategic Director, Business Change to the then s.151 officer and concerning a proposed report to SLT in which it is stated:

> "In view of the controversies over the stocktake and the sensitivities in SLT I would like to see what you are proposing to submit and if as you state, only a small amount of savings can be taken then I really do need to know the detail and the premise. This and the message in the financial implications report that the Change Programme is 'not delivering' to the tune of £10m are dynamite, and both Nicola and I will need to have some time to consider how to manage this message in an organisation that has been told something else by finance for some time. I think it may be best to pull the report…"

97. The doubts about the key budget assumption concerning the delivery of savings should also have been made clearer within the 2016/17 budget report itself and in the papers that were submitted for budget scrutiny, but it is important to recognise the significance of the discontinuity of leadership within the Finance function at that time and the pressures under which officers were working. Two different s.151 officers were responsible for the budget paper that went to Cabinet on 12 January 2016 and the report that was approved by full Council on 16 February 2016, and neither of those had held that post when the initial budget preparation was being concluded in November and December 2015. Nor did any of them have the 'clout' within the organisation that would have enabled their voices to prevail above the dominant view at the time that it was best to get through the pre-election period and then deal with the issues after the election. The s.151 officer was not at that time a full member of SLT, and was frequently excluded from SLT discussions of key financial matters.

98. It is worth noting that even after the approval of the 2016/17 budget, the report to the Change Board of 19 January 2016 which quantified the scale of the financial challenge as being £28m-£35m and its confirmation by the Directors Working Group report to SLT on 19 February 2016, reporting to the Mayor and council Members continued to understate the severity of the Council's position. The report to Cabinet on 5 April 2016 which is quoted at paragraph 84 above also contains a section which reads as follows:

> "To date, £33.3m of the £64m savings target have been removed from the cost base of the Council. Of the remaining savings, £17.8m has been identified through a range of initiatives and work is underway to release these. In accordance with programme management protocols, these remain at an amber status until the money is released. This leaves £12.9m benefits for which plans for 2016/17 are currently being finalised to identify the activities required to deliver the MTFS as well as the improvements in our service delivery."

99. Nevertheless, it is beyond question that officers were aware before the 2016/17 financial year began of the seriousness of the Council's financial position and took steps to seek to address

it. They also brought in significant additional resource to strengthen the Council's Finance function and began to implement some of the recommendations of the review commissioned from consultants in December 2015.

100. Several of the measures adopted were a continuation of actions put in place in 2015/16, others were new. For example, following the review of the Council's Finance function commissioned in December 2015 a Finance Improvement Plan was developed and was considered by the Audit Committee on 22 July 2016. Prior to that, senior officers across the Council received a briefing aimed at enhancing their understanding of the Budget and Policy Framework. SLT also received a report, with recommendation on the poor quality of finance comments on committee reports and some additional training was provided for staff. In April 2016, the then City Director requested plans to be put in place across all services to reduce budgets by approximately 20-30 per cent. Benefits Realisation Boards, chaired by the then City Director, were established as a result of the discussion at the Change Board meeting on 8 March 2016 referred to above and met throughout April, May and June to scrutinise in detail the plans of every Directorate. I have examined the documentation considered by each of these meeting and consider it to be thorough.

101. In May 2016, there was a gathering of the Council's Extended Leadership Team to engage all Directors in the scale of the problem, look at all opportunities, encourage more radical thinking and generate new ideas. In that same month, the Strategic Director for Business Change left the Council to join consultants EY, the Change Board was suspended, and SLT took a stronger role in directing action. What became known as the Bristol Plan Working Group was established to bring forward fresh options. A review of corporate spending on matters such as training, conference attendance and use of mobile phones was initiated. A vacancy freeze was instituted. A moratorium was imposed on all requests to fund expenditure from reserves. There was a review of all earmarked reserves to establish whether any of them could now be released to fund general expenditure. There was some further restructuring and a new voluntary severance scheme was introduced. There was also a review of the approved Tier 1 capital programme. In addition, proposals were developed for the construction of a long-term financial model, projecting the Council's financial position forward over a ten year period.

102. As with the measures taken towards the end of 2015/16 much of what was done in the first quarter of 2016/17 and the months that followed, while necessary, could not properly be described as the preparation of delivery plans which are now capable of assessment. They were short term panic measures designed to bring the situation under control and create some breathing space for longer-term plans to be developed. But they were effective in preventing problems from escalating much further and I believe they show that at that point officers were acting responsibly. It should be noted that due to the May elections, no Member level meetings were taking place during most of that period. The last meeting of the full Council before the elections was on 15 March 2016. Cabinet did not meet between 5 April and 7 June and the Overview and Scrutiny Management Board did not meet between 2 March and 15 June.

The Voluntary Severance Programme

103. I was asked to look specifically at "the extent to which the previous Voluntary Severance Programme had achieved the full level of savings required". There have been several voluntary severance schemes within Bristol over recent years but I have taken this request to be a reference to the Restructure Programme approved towards the end of 2013 which was the largest single element of the MTFS Change Programme. As described in paragraph 32 above, there are advantages to voluntary severance as a means of reducing staff numbers in terms of fairness to individuals and the rapid, trouble free implementation of the programme, although there may also be disadvantages in service terms. However, another disadvantage is that there may be insufficient volunteers to meet the financial savings target which the severance programme is designed to achieve.

104. As the table at paragraph 15 above shows, the Change Programme was projected to deliver a gross annual saving of £64m by the end of 2016/17. It was grouped into six workstreams, of which the Restructure Programme accounted for £28m and was required to deliver savings of £22m in 2014/15, a further £4m in 2015/16 and a further £2m in 2016/17. This table was included in a report presented to Cabinet on 7 October 2014 – "Single Change Programme - monitoring update". But surprisingly, in the same report and on the same page as this table it is stated that:

> "The Programme as a whole is on track to deliver on its targets. Progress is monitored weekly and where issues occur, action taken to rectify any delays and to correct or absorb any variation from original targets and timescales.
>
> Significant savings which will be delivered this year include
>
> - The Restructure workstream: which is forecast to achieve in-year savings of £12.1m, rising in a full year to £21.2m..."

As the table clearly shows, restructuring was required to deliver savings of £22m in 2014/15, rising to £28m in 2016/17, so in-year savings of £12.1m in fact represented a slippage in that year of £9.9m. The report does not comment on this or consider its implications. Instead it includes a Risk Register in which the first of the identified risks is stated to be:

> "The Programme may not deliver the required benefits and hence leave a gap in the MTFP which would have to be funded by unscheduled budget reductions"

The impact of this risk is categorised as "medium" and the probability of it occurring as "low".

105. It should be noted too that even as early as October 2014, the restructure workstream was predicted to deliver full year savings of only £21.2m when the MTFS requirement was for savings of £28m. A later report to Cabinet, on 3 March 2015, stated:

> "Change Board received the closedown report for this project in November 2014. The project achieved its objectives in enabling 600 people to leave Bristol City Council amounting to 509 full time equivalents. The full year impact of the savings is just over £21m comprising £2.3m savings from tiers 1-3 (our senior leadership staff), £12.67m from BG10-15 (managerial grade staff) and £6.4m from BG 1-9 (our lowest paid staff)."

Although stating that the Restructure Closure Report was presented to the Change Board in November 2014, this conclusion appears to have been based on a presentation to the Board on 6 January 2015. This presentation was detailed and thorough. But, it was also qualified. It asserted that workforce reductions agreed up to that point would generate savings with a full-year effect of £21.023m but only £15.882m in 2014/15, £6.118m below the budgeted target. It stated:

> "Based on savings agreed to date, the project has achieved full year savings of 96% of the targeted Year 1 savings. However, the impact of staggered leaving dates for

> Voluntary Severance, agreed to support immediate service delivery, means that the in-year savings for 2014/15 are reduced."

It also added that:

> "The above figures are the totals for all funding streams – not all savings will benefit the General Fund"

106. The original estimate was that to generate savings of around 15% of budgeted staff costs a headcount reduction equivalent to around 700fte would be needed . The actual achievement being proclaimed as a success was 509fte, of which an unspecified proportion would not result in any saving to the General Fund. This does not appear to have prompted the questions within the Council, at both officer and Member level, that it perhaps should have done.

107. Members may however have been drawing comfort from an internal audit review titled "Change Programme: Financial Benefits Realisation". This was commissioned by the Strategic Director, Business Change and was conducted in August 2015. It arose from a concern by him or senior colleagues that savings required of the Change Programme were not being achieved. As the voluntary severance scheme was the largest single element of the Change Programme and had issued its closure report, this was the principal focus of the audit review. A draft issued to managers in November 2015 found that payroll costs had not in fact been reduced. Auditors believed posts were being deleted that had been vacant for a long time so there was no actual saving and when actual people were released they were often replaced by interims/contractors or casual staff. In consequence, the draft report identified red risks in several areas.

108. Following initial comments on the draft by the Change Services Manager and Service Director, Business Change & ICT, and a subsequent discussion with the latter and the Strategic Director, Business Change, the final report issued in December 2015 and discussed at the Audit Committee meeting on 29 January 2016 reported acceptable levels of control across all areas. The report to the Audit Committee summarised the findings of the review as follows:

> "Overall the review found that whilst the tracking and calculation of savings in the initial stages of the programme were not as comprehensive as officers would have liked, there was clear evidence of learning as the programme progressed with the introduction of robust mitigations to ensure that savings tracking and reporting is comprehensive currently and will remain so going forward.

Many of the issues which were identified during the review had already been highlighted by Finance and the Programme Management Office (PMO) and actions to resolve them instigated appropriately. As a result the following areas were considered to have an acceptable level of governance/control:

- Identification of tangible benefits
- Sustainability of projected savings
- Management information
- Benefits Tracking
- Buy-in from Service areas

One of the key elements to the improvements in benefits tracking and reporting has been the appointment of a dedicated Programme Accountant, who can provide continuity and liaison between Finance and the PMO."

109. With the benefit of hindsight it appears that auditors may have been persuaded that the failure to reduce payroll costs observed through the initial audit activity was explained by the impact of staggered leaving dates referred to in the Closure Report of 6 January 2015 and quoted at paragraph 105 above. But even if this was the case the significance of this slippage

and that of the shortfall against the original savings target was downplayed in the finalisation of the report. It is also possible that as the restructure programme was not the sole focus of the audit review the appointment of a dedicated Programme Accountant was seen to have addressed the concerns identified in the draft report. However, also with the benefit of hindsight, it is impossible not to conclude that the original draft was nearer the mark than the final version, or the summary of the review presented to the Audit Committee, in its assessment of the risks facing the Council.

110. For example, in the draft report issued in November 2015, one of the risks highlighted as red arose from findings that:

> "There is a difference between the reports produced by Business Support Finance and Programme Accountant for SLT and the Change Board and Cabinet respectively. The SLT reports concentrate on current financial year and highlights slipped timing of benefits realisation as pressures, whilst the reporting to the Change Board and Cabinet looks at progress towards the end benefits figures across the whole of the 3-year period, the Change Programme report now incorporates all savings, not just those being delivered by the programme.
>
> The objective of the Change Programme is to reduce budgets by a total of £63.9m by the end of the MTFS, however the reporting is not always clear between 'in-year' and 'annualised effect' in calculating benefits.
>
> We remain concerned as to whether this year's change programme £17.2m planned benefits can be achieved this year without action to impose reduced budgets".

In the final version of the report a month later this risk had been reclassified as amber and reworded to state:

> "The Medium Term Financial Strategy (MTFS) 2015/16-2017/18 shows £46.3m delivered savings in 2014/15, including £25.3m from the Change Programme phase 1&2. Internal Audit could not verify all of the quoted savings.
>
> The reporting is not always clear between 'in-year' and 'annualised effect' in calculating benefits, the reader could misconstrue the report to infer that the full saving had been realised in 2014/15.
>
> There is a difference between the reports produced by Business Support Finance and Programme Accountant for SLT and the Change Board & Cabinet respectively."

111. Similarly, specifically in relation to the voluntary severance scheme, the November draft had an amber risk arising from findings that:

> "The Phase 1 Restructure Closure Report presented to the Change Programme Board in January 2015 estimated the following savings level:
>
> - £15.8m in 2014/15
> - £21m going forward for each full year

The figure of £21.1m appeared to be accepted without an independent assessment as to whether this could be achieved or not.

Finance Business Support identified that the figures in the restructure report that went to SLT didn't reflect:

- The true General Fund saving as the savings of £21m did not come completely from the General Fund (The savings included HRA, Capital and Direct Schools Grant etc.)
- The savings figures quoted did not reflect vacancies being recruited to, due to the lack of a finalised HR structure."

In the final version identical words appeared but the risk was reclassified as green, apparently on the basis of the management response to the original findings which was that:

> "It was recognised that there were some issues with the Restructure project which have now been addressed."

112. I have struggled to understand fully the reasons for these revisions to the Internal Audit review of the restructure project, especially as the audit review concerned benefits realisation from the Change Programme and both the draft and final reports confirm that the savings from the restructure envisaged in the Change Programme fell well short of the figure originally envisaged. The nearest I have been able to come to an understanding of this is a message that has been conveyed to me repeatedly during the course of my review – that there was a prevailing culture within the Council at the time that reports should not convey bad news. This goes beyond the sensitivities concerning facing politicians with difficult decisions in advance of the 2016 elections, referred to in paragraph 41 above. I have also been told many times that SLT didn't want to hear bad news either.

113. There are a few further relevant comments to make about the audit review of benefits realisation from the Change Programme. As much of it concerned the restructure programme it is surprising that the Service Director for HR was not interviewed during the course of the review and was not invited to comment on the draft. In fact, I was told that he was unaware the review was taking place, even after it had been reported to the Audit Committee. This is particularly surprising as I have also been told that the report was considered by the Business Change DLT. It is surprising too that it was not discussed by the Change Board, where the messages, for example, in relation to how savings were being reported, would have been highly relevant to the Directors' Working Group established by the Change Board on 19 January 2016. I understand also that there is no formal mechanism in place within the Council, for internal auditors, or report authors more generally, to receive feedback routinely from Member discussion of their reports. If all this is true, and I have no reason to doubt it, it does not reflect well on the management culture within the council or the quality of communications between officers even at a senior level. I recommend that where they do not already exist, arrangements should be made for report authors to receive feedback from Member or senior officer discussion of their reports as a matter of routine.

Improving Reporting and Transparency

114. The final issue I was specifically asked to address was "how we can improve reporting to Members including the Lead Member for Finance and Scrutiny to promote better transparency and accountability". As already explained, formal Member oversight of the Change Programme took the form of reporting to Cabinet, the Audit Committee, the Business Change and Resources Scrutiny Commission and, less frequently, to the Overview and Scrutiny Management Board. Most of this reporting was conducted half-yearly but there was also quarterly budget monitoring reported formally to Cabinet, and monthly reporting informally to the Deputy Mayor and Cabinet Member for Finance. In addition, there is regular informal contact between Strategic Directors and the relevant Lead Members for their respective service areas and between the Mayor and the Chief Executive.

115. I do not have any recommendations to make in respect of the informal meetings. I have been told by both Members and officers that meetings are conducted with the right level of frequency and discuss the right issues, although it would be surprising if the degree of candour and level of challenge does not vary between Directorates. I understand that meetings with the Lead Member for Finance are now more frequent than previously and that the Lead Member also now attends towards the end of some Business Change DLT meetings, which I regard as entirely appropriate in view of the scale of the financial challenge confronting the Council. I am also satisfied that informal meetings with Members are conducted in a relationship of mutual respect, and that Members are briefed at an early enough stage to enable them to give meaningful input to key matters which may later require a Member decision. For example, I have been assured that the Lead Member for Finance is briefed on the delivery plans for the realisation of previously unidentified budget savings. I have been assured too that in the latter part of 2016 there were two joint Cabinet/SLT awaydays to consider options for consultation in respect of the 2017/18 budget. All of this is good practice.

116. However, I consider that a great deal still needs to be done to improve the formal reports that the Mayor, council Members and senior management groups receive, although I acknowledge that some of this work is already in hand. I also believe there are gaps that still need to be addressed in relation to routine administration, document management and archiving within the Council. For example, much of the original MTFS agreed by the Council on 18 February 2014 and which is published on the Council's website as part of the 2014/15 budget papers was watermarked as a draft at the date I viewed it and I have been unable to verify that the PowerPoint presentation described to me as the "Bristol City Council Change Programme – Business Case 2014/15-2016/17" and referred to at paragraph 56 above was actually seen by Members at the Cabinet meeting on 1 July 2014 at which I have been told the business case was approved. Likewise, the report of the internal audit review of Change Programme: Financial Benefits Realisation referred to at paragraphs 107-112 above does not appear to have been presented to the Audit Committee which discussed it on 29 January 2016. Instead the Committee received a summary report to which the report of the audit review itself was not attached as an appendix. And the discussion by the Business Change and Scrutiny Commission on 13 October 2014 of the assumptions underpinning the 2015/16 budget was based on a report confusingly headed "Budget Assumptions 2014/15". In looking at many documents prepared within the Council during 2014 and 2015 I encountered several other examples in a similar vein.

117. In respect of officer level meetings conducted during the period I was asked to review, I also observed excessive reliance on verbal PowerPoint presentations supported by copious and complex slides which have little meaning when viewed at a much later date by someone not present at the meetings where they were considered. Several of the documents I reviewed were also undated or their authors and the bodies for which they were prepared were unnamed; and in some instances they did not appear to have been presented to the

meetings they were prepared for. In addition, version control in respect of key written reports did not always appear to have been as disciplined as I would have expected it to be. I also noted that the internal circulation of reports, including but not confined to the internal audit review, did not always include all of the people who ought to have seen them. All of these matters represent basic flaws in the administration of the Council's affairs which need to be remedied. Again, while I acknowledge that there have been recent improvement in many aspects of the Council's management and administration, I would be surprised to learn that all of these issues have already been addressed.

118. In relation to Member level reporting I also have concerns about the timeliness of some of the reporting that I observed, although I am aware that this has now changed. But in each of the financial years 2014/15, 2015/16 and 2016/17 Cabinet did not receive any budget monitoring information until September. This is too late for early warning signs of budget difficulties to be identified and addressed. In the case of the 2016/17 budget it is also despite the fact that officers had been aware of serious problems in relation to the delivery of savings since July or August 2015 and had been aware of the likely full scale of the budget gap since 19 January 2016. Cabinet met on three occasions in June and July 2016. It also met on 11 August. It would have been open to officers to prepare a budget monitoring report as at month 2 in 2016/17 and to present it to Members before the Summer Recess. Had they done so, it is highly likely that the scale of the projected deficit would have become apparent at an earlier stage and might therefore have been less difficult to deal with. It is reassuring to note that the Cabinet currently receives a monthly financial monitoring report. I consider that this more timely reporting of budget monitoring information should continue into the future. If the Council opts to return to quarterly budget monitoring and the first quarter monitoring report cannot be considered in July, there should be routine reporting in June or July of the position as at the end of May.

119. In addition to the above, I have very serious concerns about the quality of many of the reports which were prepared by Council officers during the period covered by my review. It has been impossible to reconcile some dates and figures quoted in reports with other reports, and sometimes within the same report, and nor has it been possible to locate all the documents I anticipated would be readily available. I have noted tables in reports containing figures that do not sum to the totals stated at the bottom and tables in which cumulative totals and in-year numbers are mixed up in the same column of figures. In addition, a common feature of most of the reports I have reviewed, other than their optimism, is their opacity. One interviewee described the Council's routine practice as a tendency:

> "to bury information in big reports".

This accords with my own observations but I believe the problem with the quality of many BCC reports is even deeper. It has also often proved hard to reconcile figures for savings claimed and said still to be outstanding with specified targets, or even with figures purporting to provide the same information within the same report.

120. Reports addressing key financial aspects of the Change Programme were prepared and presented to decision-making bodies without input from Finance staff or without the figures having been agreed by Finance, and there were significant movement in numbers, in both directions, over a very short period of time. I have therefore found myself in agreement with the conclusions of the internal audit review quoted at paragraph 110 above that:

> "The reporting is not always clear between 'in-year' and 'annualised effect' in calculating benefits, the reader could misconstrue the report to infer that the full saving had been realised in 2014/15.
>
> There is a difference between the reports produced by Business Support Finance and Programme Accountant for SLT and the Change Board & Cabinet respectively"

I would however add that I also failed to observe any significant improvement in this respect in the period immediately following the audit review. In short, it has proved difficult to establish a single version of the truth, believed by all key personnel within the Council at any one time. I believe this was a frustration for officers too and has been part of the problem with delivery. But I would encourage Council Members to be less tolerant in future than they appear to have been in the past of reports which are impenetrable, badly written, or in other ways of poor quality.

121. It is important to emphasise that some of the reports I have seen which were prepared over the last six months, including those supporting the forthcoming discussion of the Council's 2017/18 budget, are qualitatively different from many of the past reports I have looked at. Nevertheless, this is not yet consistently true of all BCC reporting. I therefore believe that the Council should take steps to build on the recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice.

122. There is a distinction to be drawn between reports which are difficult to understand and those which are misleading or lack candour and unfortunately, I have witnessed the latter as well as the former during the course of my review. I do not ascribe any untoward motives to the authors of reassuring reports which misrepresented or failed to reveal more negative information that was known within the Council at the time. Optimism bias has long been well recognised by organisational psychologists as a feature of teams in stressful situations confronting difficult problems. But so many of the reports I have seen were at variance with the knowledge and experience of the senior officers ultimately responsible for them, or even with the detailed information presented in the same report, that I am inclined to believe the several people who have told me that there was a prevailing view within the Council at the time that senior leaders, at both Member and officer level, did not want to hear bad news. I believe that this is indicative of an unhealthy culture within BCC which, despite recent improvements, still needs to be addressed. In this respect, I am encouraged by the decision to commission my review, which seems to me to be a valuable first step in this direction. I do not doubt however, that the new chief executive will have much more to do in this regard and will require the continuing support and encouragement of the Mayor and council Members to succeed. I therefore address this issue further in paragraph 129 below.

123. The lack of candour or unjustifiable degree of reassurance contained in so many of the formal reports to Members I have seen may in part have reflected a lack of understanding or weaknesses in the professional competence of some Council officers. It is possible that they failed to draw attention to the significance of information contained within their reports because they did not appreciate its significance. If so, this raises questions about the competence of some senior employees which will also be a matter for the new chief executive to consider. But I believe it may also raise a further, discrete concern about the accountability of officers to Members other than the Mayor and Cabinet.

124. As stated at paragraph 115 above, I do not have any doubt that there is regular informal contact between Cabinet Members and senior officers in Bristol and that this process works reasonably well. I believe that some Members were aware of the financial pressures facing the Council in the period leading to the adoption of the 2016/17 budget, even though they may not have fully appreciated the scale of the problem at a corporate level. But Members outside the Cabinet have less regular contact with senior officers and will therefore have necessarily placed greater reliance on what was said to them by way of formal reporting. The reporting deficiencies I have described are therefore more serious from the perspective of backbench and opposition Members.

125. The introduction to local government of Cabinet systems and directly elected Mayors during the 1990s significantly changed the way in which many local authorities were run. There have been further changes since then and more local authorities, including BCC, have adopted the directly elected Mayor model. But what has been constant throughout these changes has been the statutory and professional responsibilities of council officers. In central government, the responsibility of civil servants is to their Secretary of State and they provide their advice

in private. Accounting Officers have limited additional responsibilities to Parliament but are specifically precluded from sharing with Opposition MPs information which their Secretary of State does not wish to place in the public domain. But the duty of local government officers is not analogous to that of civil servants. Local government officers have always had responsibilities to the whole Council. They are required to provide advice in public and to be even handed in their dealings with all councillors, regardless of the positions they may hold within the Council's administration. This does not prevent them from giving Leading Members early warning of issues before they become public, but it does mean that relevant information must not be withheld or misrepresented. In this respect, I consider that the reporting of savings delivery from the Change Programme and hence of the financial position of the Council over a sustained period of time did not display the degree of professionalism that the Mayor and BCC Members were entitled to expect. I therefore recommend that relevant officers be reminded of their responsibilities to backbench and Opposition Members.

Key Messages

126. From its outset the Change Programme appears to me to have been perceived and managed as a project which was as much about organisational development, or perhaps even more so, than it was about delivering savings. In the MTFS that formed part of the 2014/15 Budget Report its purpose is described as follows:

> "The Single Change Programme (SCP) is designed to restructure the current organisation to reduce management levels, improve buying strategies and reduce the operational cost of running the council. The SCP aims to transform the way the Council operates as a whole, exploiting opportunities to simplify the way services are delivered to our citizens and reducing costs by doing things in the most efficient way to create a more focussed organisation that is excellent at what it does. Some important things will be different in future:
>
> - services will be redesigned around our customers' needs, simplifying and standardising the way we do things.
> - common activities will be done once in the organisation and in a consistent way, reducing costs and complexity.
> - the organisation will be more focused, working with our partners from all sectors.
> - commissioned services will be enhanced with a clear separation from delivery; whether this is internal or external to the council.
> - staff will develop new skills to operate effectively in the new organisation, developing a culture that has a strong customer focus in all we do.
> - technology will be exploited to deliver many of our services digitally, so they can be easily accessed at any time and in a variety of ways
> - staff will be encouraged to work more flexibly, so they can operate when and where they need to, establishing a modern working environment based in 2 primary locations.

To deliver these changes a single programme of change has been established, with centralised governance, that applies to all parts of the council. This will .... deliver a future council that is much more efficient and integrated. The objective is to reduce the council's operating costs as early as possible in the programme, so efforts can then focus on recovery, redesigning the organisation and reducing uncertainty for staff.

The SCP consists of a number of elements that will deliver the changes we need to make:-

> - operating costs will be reduced by:-
>   - -restructuring, to get the right shape for the future, removing around 800 posts from the organisation ;
>   - -renegotiating the price of external contracts for services, ensuring what we buy is what we need, both now and in the future
> - services will be redesigned to streamline the organisation and ensure it is focussed on delivering to our customers.
> - many services will be made available digitally, so they are automated and available on line.

- the office estate will be reduced to accommodate the majority of staff in two core offices at City Hall and 100 Temple Street, utilising modern working practices and
- assets will be more effectively managed and exploited to take opportunities to maximise commercial income streams.

To enable this to happen significant changes and investment in the workforce and technology platform are required:-

- the workforce to ensure the right people have the right skills and culture needed for the future
- enhance technology to enable the council to deliver digital services and work more flexibly and efficiently."

127. This understanding of the need for change in the way in which the Council operated, as well as in the cost of delivering services, was further emphasised in the document referred to at paragraph 56 above which has been represented to me as the original Business Case for the Change Programme. It states:

> "We want to operate as one streamlined council, not a collection of disparate departments. Common systems and ways of working and the experience of driving change together will give us the stability we need to face the future."

Similarly, in a report to Cabinet on 7 October 2014 which outlined to Members the detailed projects comprising the Change Programme, one of the principal aims of the Programme was again stated as being to:

> "Develop a culture that enables us to face the future: The programme aimed to create a united, disciplined organisation with common aims and processes"

This was a tacit acknowledgement that the Council did not have the organisational unity and discipline need to tackle the challenges it faced.

128. Measured against these objectives it is apparent to me that despite the difficulties, much has been achieved. But it is also apparent that a great deal more remains to be done. I have in general been impressed by the grasp of detail that Strategic and Service Directors I have interviewed have of the areas for which they are responsible. But it cannot be denied that the problems which prompted my appointment resulted from a collective failure of leadership. BCC is not a data driven organisation. Silo based working and poor communications have not yet been eliminated from the culture of the Council and in addition to the lack of candour in public reporting to the Mayor and council Members, to which I have made reference above, I have observed other serious concerns about the management and administration of the Council during the course of my review.

129. Bristol has many talented and hard working council officers and I recognise that there have been major improvements in the management of the Council during the last six months, but it is not possible to change the underlying culture of an organisation in such a short period of time. Remnants of the practices and behaviours that were clearly evident during the period I have examined will undoubtedly remain. And, at least during the period I have reviewed, the Council does not appear to have had a healthy management culture. Several of those I have interviewed have appeared to be highly stressed and/or unduly defensive. They have spoken of a culture of non-acceptance of responsibility with too many time-consuming meetings. They have reported strained relationships with some colleagues. They have also told me of basic discourtesies which have made it more difficult to do their job, such as requests for information not being responded to, documents not being sent to those who should have seen them, being given unrealistically tight deadlines to respond when consulted on complex matters, and being shouted at by managers or colleagues. I have seen evidence of distrust and have heard enough examples of what has been described to me as a bullying culture within the Council to persuade me that this too is a matter the new chief executive will need to address. I therefore recommend that the incoming chief executive should be invited to

consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings.

130. Even more urgently, although fortunately this too is already in hand, the Council needs to greatly improve the quality of its Finance function, modernise its role and enhance its status. In all senses of the word, the BCC Finance Directorate, at least during the period covered by my review, has been one of the weakest I have encountered, certainly by reference to a city of Bristol's size and stature. But perhaps even more alarmingly, even those senior officers who have raised concerns with me about Bristol's Finance Directorate appear to have very little awareness of what a first class local authority Finance function looks like or the role it should be expected to play within the Council's decision-making. The Council's inability to retain, or perhaps recruit, senior finance staff of the right calibre in the past may provide part of the explanation for this, but I suspect the problem goes much deeper.

131. It was not part of my Terms of Reference to examine or comment in detail on the improvements that have taken place since the period covered by my review but I am aware of some of them, I have been impressed by the progress that has clearly been made in recent months, and I have seen sufficient evidence of change to provide assurance to the Council that it is heading in the right direction. Many of the issues that emerged during my review have clearly since been addressed or are in the process of being tackled. For example:

- The quality of budget monitoring reports has greatly improved and the Council's financial position is now much more transparent;
- Some basic failings such as the backlog in bank reconciliations have been dealt with;
- The Contracts Register is being updated;
- The Council now has better data in some key areas of control;
- Some spending and balance sheet reviews have been established and there is an effective system for tracking the delivery of their recommendations;
- The s.151 officer is now a full member of SLT and chairs a new Directors' Working Group tasked with developing fresh savings options;
- The forecast deficit which prompted my appointment has been reduced from £29.1m to £11m; and most importantly
- The process leading to the budget recommendations for 2017/18 has been significantly more robust so the draft budget to be presented to the Council on 21 February 2017 is one in which Members can have confidence.

132. However, I believe it is important for all concerned to understand how low the base is on which the current improvement programme is building and hence the scale of the challenge that still lies ahead and the likely timescale for bringing about the necessary further improvements. During the course of my review I had reported to me more than once or personally saw evidence of:

- A poorly implemented new Financial Information System;
- Basic failings in budget processes, such as the costs of software licences not being budgeted for following the introduction of new mobile IT devices;
- Papers submitted to key decision making bodies which did not comment on the financial implications of recommended decisions or contained comments that had not been cleared with Finance staff;
- Finance comments that failed to draw attention to significant information or to provide necessary advice or challenge;
- Late reporting of budget monitoring information;

- Failure to reconcile significant differences between key financial information derived from different systems, for example in relation to staff numbers, approved establishment and payroll costs;
- Failure to maintain up to date bank reconciliations (although this has since been remedied);
- Poor performance in respect of debt collection;
- Late payment of suppliers, generating a high volume of incoming telephone calls;
- Inability to provide service managers with necessary financial information, such as the costs associated with different buildings;
- Directorate budgets not being revised to take account of agreed allocation of centrally held investment funds;
- Senior staff placing reliance on Excel spreadsheets because of a lack of confidence in information derived from the Council's finance systems;
- A tendency to delegate upwards (seemingly shared with other BCC services) resulting, for example, in the s.151 officer receiving 800-900 emails a day;
- An inadequate or incomplete Contracts Register (though this is also now being addressed);
- A fatalistic and insular view among Finance staff and other managers with financial responsibilities, including a lack of participation in Continuous Professional Development, resulting in skill deficiencies at all levels;
- The perhaps consequent absence of any expectation among Service Directors that engagement with Finance is an important part of their job, and a corresponding lack of robust internal challenge;
- A failure of Finance staff to question poor practice or to assert the important of basic professional standards in relation to financial administration;
- Low status of internal audit, marginalised in every sense and with recommendations of audit reviews being disregarded by managers; and
- A failure to understand the statutory role of the s.151 officer. The Council's s.151 officer not having been a full member of SLT and having been excluded from or not invited to meetings or parts of meetings at which key corporate finance matters were discussed.

133. In relation to the latter points I recognise that the previous low status of the BCC Finance function may have been a consequence of its poor quality rather than a cause of it. Finance needs to perform at a level that demonstrates its right to sit at the top table and the BCC Finance function, at least as it has traditionally operated, has been variously described to me as:

- "transactional rather than analytical";
- "not providing any meaningful analysis";
- "not seeing the identification of trends as part of its job";
- "not providing any real challenge or insight";
- "more like a cashier's office than a Finance department"; and
- "at best producing partial or inconsistent information".

In these circumstances, it is unsurprising that it has also been described to me as having "no clout". However, no large organisation, and certainly no large local authority, can function effectively without an authoritative, respected high quality Finance function. Cipfa defines the role of the chief finance officer in local government as being:

> "a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest".

It is clear to me that this is not how the role has, at least until very recently, been viewed within BCC.

134. It is to the Council's credit that it recognised some of the scale of this problem more than a year ago when, following the departure of a previous s.151 officer, it appointed consultants to review the Finance function and make recommendations. That review identified many serious weaknesses beyond those mentioned above. It also described a prevailing culture of "not putting one's head above the parapet" and of Business Partners interpreting their strategic role as meaning they "don't do detail". In addition, it concluded that the technical capabilities of Finance staff were "a mixed bag". It resulted in a Finance Improvement Plan which has so far only been partially implemented. For example, a recommendation that the Council should:

> "Develop a Competency Framework and agree the way forward re Assessment and Development centres"

has not yet been actioned. I consider that this is now overdue and should be regarded as a priority. It should be actioned alongside a review of the role and requirements of Business Partners as part of the current review of the Finance Directorate structure. Other relevant outstanding recommendations of the review commissioned in December 2015 should also be actioned as a matter of urgency.

135. Although much remains to be done, it is also to the Council's credit that a new permanent s.151 officer has been appointed and has been made a full member of SLT. She will nevertheless need the continuing support of the Mayor, Leading Members, SLT colleagues and the new permanent chief executive if she is to bring about the further changes needed. I wish both her and the new chief executive every success.

Conclusion

136. This review was prompted by the forecast of a significant, previously unreported, budget deficit. But it has been clear to me from an early stage that the problems I was asked to look at are as much cultural and organisational as financial. Many people could have done things differently or better and a few may even have fallen below the professional standards expected of them, but in other organisations there are checks and balances, which include management accountabilities and reporting requirements, that prevent individual failings leading to institutional breakdown. These appear to have been absent in Bristol.

137. I must however emphasise that individuals who may be identifiable from my report and who may feel that they are being implicitly or explicitly criticised unfairly have not been given a right of reply. My report and any action flowing from it needs to be read in that light. In particular, it would be wholly wrong for any individual to be singled out for censure, not simply because they have not been given an opportunity to put their case to me, but more importantly because I am in no doubt that the sequence of events described in this report represents a serious collective failure of leadership within the Council for which several people, including politicians, must take responsibility.

138. For example, many different people had a hand in the misleading or in other ways inadequate reports I have referred to, but clearly there were others, often much more senior, who found those reports to be acceptable. And those who bowed to the prevailing culture of not wanting to tell bad news, or to speak out when needed, were not always guilty of helping to create this culture. And even at the most senior levels of management, there was a failure to accept responsibility. One SLT member explained to me the decision not to place known risks to the 2016/17 budget in the public domain as being because it would involve "going it alone". Another said much the same thing. The former Mayor and council Members have undoubtedly played a part as well, not merely by failing to ask the right questions at key points, or tolerating poor professional practice but also in creating the culture I have described, including the belief within the Council that people at the top of the organisation didn't wish to hear bad news. For example, the insistence of politicians that substantial savings could be achieved without any impact on services was a constant source of frustration to officers.

139. I am conscious too that much has changed within the Council over the last six months. The new Mayor, his colleagues and senior BCC officers are more open about the difficulties they face and this has made it possible to take the steps needed to address them. In addition to the appointment of a new permanent s.151 officer, the Council has recently appointed a new permanent chief executive. The Council's two statutory officers below the Head of the Paid Service are full members of SLT. Much of the period covered by my review was characterised by denial, concealment and wishful thinking. But in recent months the new corporate leadership at both political and officer level has brought a fresh approach. The Council has demonstrated a determination to deal with the underlying causes of the issues I was asked to review as well as their specific manifestation. Political scrutiny is now much stronger. Politicians have also shown a willingness to take unpopular decisions when this has been needed to restore the Council to financial stability. And the Council has been rewarded for this by the degree of progress itemised in paragraph 133 and in other ways. The confidence of partners is being restored. So too is the self-esteem of many Council employees. While recognising the low base from which it must recover and the heights that must still be scaled, I commend the Council for the progress it has made in a very short period of time. I nevertheless make the following recommendations for further action:

    (1). For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45).

    (2). Wherever possible, the Council should ensure that responsibility for the delivery of specific savings initiatives is allocated to Directorates so that ownership of savings programmes and accountability for them is clear (paragraph 66).

(3). The Council should adopt a more disciplined, centrally driven approach to business cases supporting investment decisions or savings projects. There should be a standard template of what constitutes an acceptable business case and a standard procedure through which the template must be completed and approved (paragraph 65).

(4). The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice (paragraph 121).

(5). Members should be less tolerant of poor quality reports than they appear to have been in the past (paragraph 120).

(6). Where they do not already exist, arrangements should be made for report authors to receive feedback from Member or senior officer discussion of their reports as a matter of routine (paragraph 113).

(7). Relevant officers should be reminded of their responsibilities to keep backbench and Opposition Members properly informed (paragraph 125).

(8). The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).

(9). The Council should take further steps to improve the quality of its Finance function, modernise its role and enhance its status. Relevant outstanding recommendations of the review commissioned in December 2015 should be actioned as a matter of urgency (paragraph 130).

(10). The previous recommendation that the Council should "Develop a Competency Framework and agree the way forward re Assessment and Development centres" in relation to its Finance staff is overdue and should be given priority (paragraph 134).

(11). This should be actioned alongside a review of the role and requirements of Business Partners as part of the current review of the Finance Directorate structure (paragraph 134).

(12). The more timely reporting of budget monitoring information that has now been introduced should continue into the future. If the Council opts to return to quarterly budget monitoring and the first quarter report cannot be considered in July, there should be routine reporting in June or July of the position as at the end of May (paragraph 118).

140. In conclusion, I would like to thank Mayor Marvin Rees, Interim Chief Executive Stephen Hughes and Bristol City Council for inviting me to undertake this review. I would also like to offer particular thanks to Beth White in the Chief Executive's office without whose tireless efforts in locating documents, assembling paperwork, obtaining responses to my queries and arranging meetings it would have been impossible for me to complete it. Despite the scale and depth of the difficulties dealt with in this report, the progress I have witnessed within the Council over recent months is impressive and therefore reassuring. I wish the Council and the City well for the future.

Steve Bundred

Steve Bundred
9 February 2017

Appendix A

Terms of Reference

Bristol City Council is looking to commission an external review in order to understand the causes of the 2016/17 forecast deficit variance of £29m at month 3.

The key areas that the review should cover are:

- The extent to which Change Programme reports explained the risks and accurately reflected the risks, performance and level of readiness of the necessary implementation plans.
- The extent to which the above were reviewed and understood by officers and members during 2015/16 and if any remedial action plans were put in place;
- The identification of the reasons and cost drivers for the overspending/pressures associated with the Change Programme;
- An assessment of the robustness of the Business Cases and assumptions supporting the Change Programme and the frequency of review to update underpinning assumptions etc.
- An examination of the member/ officer review processes for the assumptions underpinning the 2015/16 and 2016/17 budget and savings proposals.
- An examination of the processes to review and mitigate the 2015/16 in-year budget pressures or saving delivery assumptions leading up to the setting of the 2016/17 budget. This should include the extent to which the in-year pressures could be anticipated by the Senior Leadership Team in advance of the 2016/17 budget setting;
- An assessment of the robustness of the Delivery Plans in place to address these 2015/16 pressures.
- An assessment of the delivery plans in place during the first quarter of 2016/17 to mitigate the 2015/16 budget pressures.
- The extent to which the previous Voluntary Severance Programme had achieved the full level of savings required.
- How we can improve reporting to members including the lead member for Finance and Scrutiny to promote better transparency and accountability.

The review needs to be undertaken within the following context:

- A number of Bristol City Council Senior Officers have now left the Council;
- Bristol City Council has had three S151 Officers within the last 12 months and five in the last three years.