

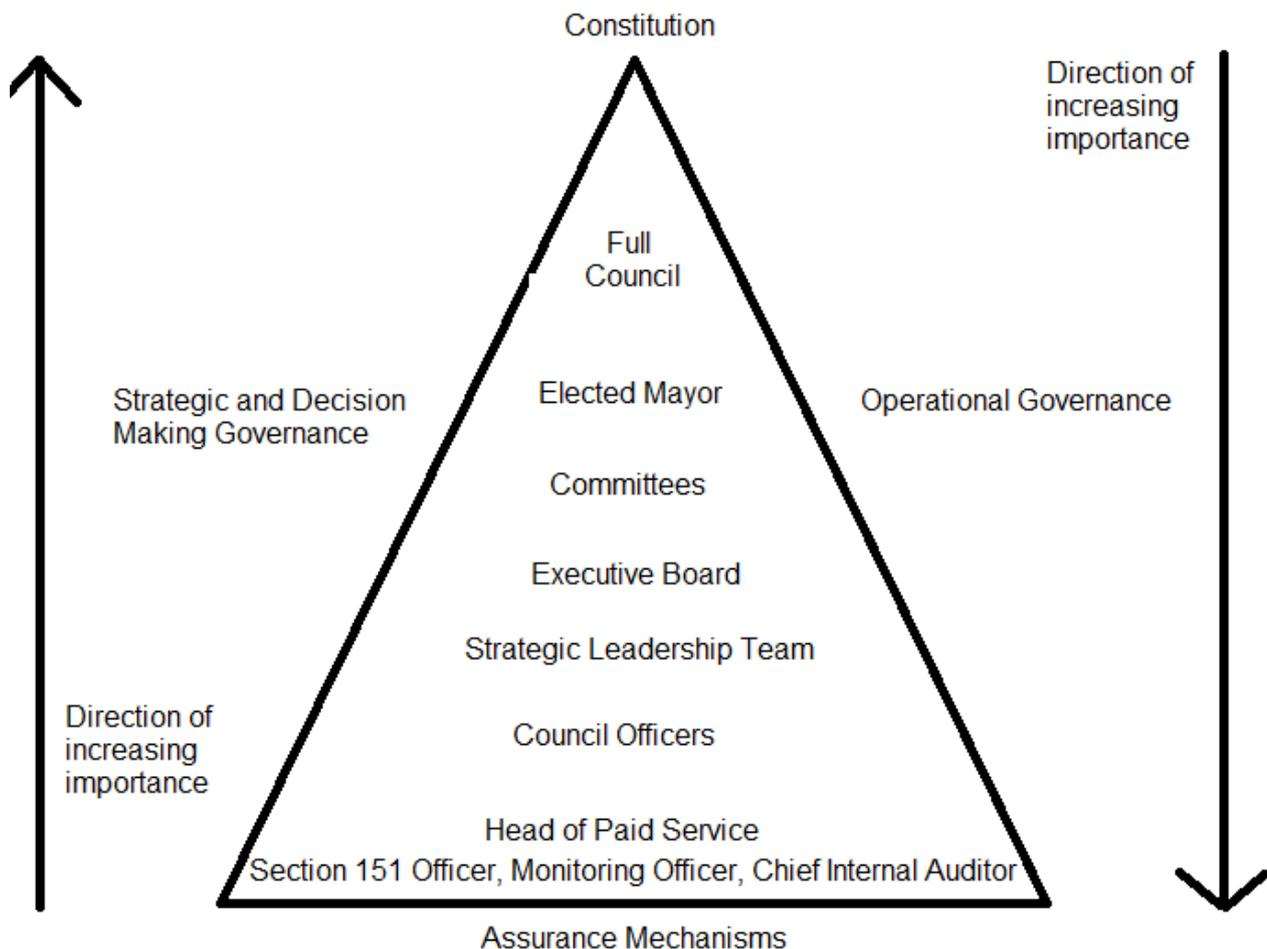
**Bristol City Council  
Annual Governance Statement  
2012/13**

**1. Scope of Responsibility**

- 1.1 Bristol City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging these overall responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3 This statement explains how the Council endeavours to deliver good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011, which require the Council to publish an Annual Governance Statement (AGS) in accordance with proper practice in relation to internal control.

**2. The Council's Governance Framework**

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and by which it accounts to, engages with and leads the community. It includes arrangements to monitor the achievement of its strategic objectives and to consider whether this has led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.
- 2.3 The following diagram displays the Council's governance framework and it is followed by more detailed information on the governance arrangements that have been in place for the year ended 31<sup>st</sup> March 2013 and up to the date of approval of this Statement and the Statement of Accounts.



## The Constitution

- 2.4 The Council has a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable. Some of these processes are required by law, while others have been decided by the Council. The Constitution is available to the public on the Council's website. An initial review has identified weaknesses in relation to decision making which have been addressed. However, the Constitution would benefit from a fundamental review going forward (see section 4 items 4 and 9).

## Strategic and Decision Making Governance

- 2.5 The following details the strategic and decision making governance arrangements in place within the Council, many of which are specifically required by the Constitution:
- The Council sets out its spending plans and priorities, in the context of the 20:20 plan, in its three year Medium Term Financial Plan for 2012/13 - 2014/15. Progress against the MTFP is monitored by the Mayor and the Strategic Leadership Team (SLT). In 2012/13 the Council was working towards six key outcomes:
    1. Making our prosperity sustainable
    2. Reducing health and wealth inequalities
    3. Making a city of strong and safe communities
    4. Maximising financial resources and delivering budget reductions

5. Raising the aspirations and achievements of our children, young people and families
  6. Optimising the productivity of staff
- The Mayor is in the process of reviewing the Council's outcomes and identifying his priorities for 2013/14 onwards, which will lead to a high level Corporate Strategy that will drive service area plans and a three year budget setting process.
  - The Council appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities. All committees have a clear terms of reference and work programmes which set out their roles and responsibilities.
  - The Council has dedicated Develop Control area planning committees which are made up of Members and they are professionally advised by council officers who provide reports on planning applications being considered, making recommendations. An issue has been identified concerning the use of officer advice in these decisions and a review of the reasons for this would be beneficial. (see section 4 item 12).
  - The Mayor takes all key decisions in consultation with Cabinet on the basis of reports from officers.
  - The Mayor's Forward Plan of key decisions to be taken over the next four months is published on the Council's website. However there is an issue with regard to late submission of items for inclusion in the forward plan. (see section 4 item 5).
  - Cabinet meetings where key decisions are made by the Mayor are open to the public and available via web cast through the Council's website. All reports are considered for legal and financial issues before submission to members
  - There is a Strategic Leadership Team (SLT) made up of the City Director and Strategic Directors that meets each week to discuss matters which are of strategic and operational importance to the Council. Due to the loss of senior management through retirement and resignation, management capacity and organisation memory has been reduced. Additionally, SLT have been hampered by a lack of timely and accurate performance and financial management information to assist them in decision making. (see section 4 items 2 and 7).
  - The Council is undertaking a 'Right Outcome, Right Service, Right Provider' review which will ensure that the Council is providing the correct services in the right way in order to give the right outcome for residents of Bristol.
  - An Executive Board consisting of SLT, the Mayor and selected Members will commence meeting regularly to ensure good communication and coherent vision.
  - In determining the Council's purpose, vision for the local area and intended outcomes for the community, the Council engages with:
    1. The local community through 14 neighbourhood partnerships which provide an opportunity for local communities to have a greater say in the way services and local issues are managed by the Council and its partner agencies. Some powers over Council services are devolved to these Partnerships
    2. The four West of England Authorities and the business community in a Local Enterprise Partnership
    3. Stakeholders by consultation and the submission of views by local people through a variety of ways including: the Citizen's Panel, Ask Bristol e-communication, petitions and e-petitions and the provision of a public forum at the majority of committee meetings
    4. all Members offering, as best practice, surgeries, or equivalent means of

providing assistance, for their constituents and key partners (eg. Police) could be involved where appropriate

5. the publishing of a free electronic Council newsletter on the Bristol City Council website which communicates the Council's vision and priorities

## **Operational Governance**

2.6 The following details the operational governance arrangements in place within the Council, some of which are specifically required by the Constitution:

- The Council has a scheme of delegation in place with supporting procedure notes / manuals that clearly defines how decisions are taken. These documents are reviewed and updated as appropriate.
- Major change programmes are on-going throughout the Council to meet the budget reductions imposed by the current financial climate and to improve delivery of services. The Council is undergoing significant change and there have been improvements made in the governance arrangements supporting this change, but further work is needed to strengthen governance arrangements concerning programme linkages, risk analysis and benefits realisation (section 4 item 1).
- Three corporate panels have more recently been created to provide oversight of the use and application of key resources; The People Panel, The Non-Pay Panel and the Capital Programme Board.
- The Council utilises, manages and stores large amounts of data on various different databases and servers. The Council is heavily dependent on managing and maintaining the control environment within its computerised systems. However due to changes in staff and systems, issues have been identified regarding controls in a number of financial systems which need to be addressed (section 4 item 3).
- Policies and procedures are in place to ensure that expenditure is incurred lawfully and that best value is obtained including: Financial Regulations, Procurement Regulations and a number of other Human Resources and financial policies. Although the policies are widely publicised in some instances they have not been applied appropriately (section 4 items 6, 8 & 11).
- The Council has processes and policies in place to ensure all information collected, held, processed and used by the Council is held safely and securely, nevertheless breaches in data security controls have been identified, but are currently are being addressed (section 4 item 10).
- Members' and Officers' behaviour is governed by Codes of Conduct which include the requirement for declarations of interest to be completed by all Members annually, by all new staff, and biennially by staff working in sensitive areas or paid above a certain grade.
- The Council encourages a free and open culture and is committed to high standards of honesty. The Council will not tolerate any form of malpractice and recognises that employees have an important part to play in reporting any concerns. The Council has a widely publicised Whistleblowing Policy which encourages and enables employees to raise concerns internally within the Council, rather than overlooking the problem or raising the concern outside.
- There is a Councillor Development Programme which assists Members to strengthen their capacity as confident and effective political and community leaders. The Council's Performance Management and Development Scheme for all staff ensures performance is managed and development needs for each member of staff are identified.

- The Council recognises the value of well trained and competent people in effective service delivery, and as such aims to ensure that Members and managers within the Council have the skills, knowledge and capacity they need to discharge their responsibilities.
- The Monitoring Officer has responsibility for: maintaining the Constitution; ensuring lawfulness and fairness of decision making; providing legal advice; and conducting investigations. The Monitoring Officer leads the legal department who ensure legal compliance of the Council in its activities, any concerns are raised with senior management for resolution.

2.7 In compliance with the 'Delivering Good Governance in Local Government: Framework', the Council's financial management arrangements generally conform with the requirements of the CIPFA Statement of the role of the Chief Financial Officer and Head of Internal Audit in Local Government (2010). More detailed compliance information is provided below:

- The Service Director Finance (Section 151 Officer) and the Head of Legal Services (the Monitoring Officer) are not members of SLT but have open invitations to attend when necessary and receive all papers. Both have a direct reporting line and have monthly meetings with the City Director (Head of Paid Service) in relation to governance issues. Both also attend Cabinet and Cabinet briefings.
- The Service Director Finance is the Council's Chief Financial Officer and is a professionally qualified accountant. He is the lead officer for the Audit Committee and attends all meetings as well as reporting regularly to the Resources Scrutiny Commission. Although he is not a Strategic Director he is the Council's Financial lead and as such is fully involved in all material business decisions and planning processes, and contributes to all key decision reports to SLT and Cabinet.
- The Chief Internal Auditors (job share) are senior managers within the Council with regular engagement with the Audit Committee. They have a direct reporting line to the Service Director Finance and are able to report to SLT and to other Directors as required.
- The Chief Internal Auditors are both qualified accountants with a large number of years of Local Authority Internal Audit experience and they provide an Internal Audit Service which is highly experienced and adequately resourced (as concluded by the Audit Committee in their Annual Report). The service capacity and resources are continually under review to ensure that they are fit for purpose.

### **Assurance Mechanisms**

2.8 The following assurance mechanisms are built into the governance framework to ensure that the framework is operating as required:

- The decision-making process is scrutinised by a scrutiny function which holds the Mayor to account and undertakes some pre-decision and policy development work. The Resources Scrutiny Commission is responsible for maintaining an overview of service and financial performance, efficiency and effectiveness.
- The Council has an audit committee comprising Elected and Independent Members that reports directly to full council in line with best practice. The Audit Committee met throughout the year to provide independent assurance to the Council in relation to the effectiveness of the risk management framework and internal control environment, and any issues relating to the conduct of Members. The Committee

met five times during the year, receiving regular reports on risk management, internal control and governance matters.

- The Council has a robust complaints procedure and where appropriate obtains feedback from service users to ensure an appropriate quality of service is obtained.
- SLT is responsible for considering overall financial and performance management and should receive comprehensive reports on a quarterly basis. (See section 4 item 7). They are also responsible for initiating corrective action in relation to risk and internal control issues.
- The Corporate Risk Register (CRR) is reviewed periodically by SLT and the Executive Member and then presented to Cabinet Briefings for review and approval. The corporate officer 'champion' takes the lead on the Register together with the Risk Management Group which meets three times a year to review the effectiveness of the Council's Risk Management Framework and improve arrangements where necessary. (See section 4 items 4 and 7)
- An Internal Audit Service is in place which provides an independent and objective assurance service to senior management, the Council as a whole and specifically the Audit Committee. They complete a programme of reviews throughout the year to provide an opinion on the internal control, risk management and governance arrangements. In addition, the Service undertakes fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit are reported to senior management, the Executive Member and the Audit Committee
- An External Audit function reports to senior management and the Audit Committee regarding Value for Money, governance issues and the final accounts including the Annual Audit Letter.

### **3. Review of Effectiveness**

- 3.1 In January 2009, the Council approved and adopted a Code of Corporate Governance (revised June 2013), which provides in-depth details of the framework the Council has in place to meet the six core principles of effective governance, as prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society Of Local Authority Chief Executives (SOLACE) guidance 'Delivering Good Governance in Local Government', a copy of which is available on the external website.
- 3.2 Bristol City Council annually reviews the effectiveness of its governance framework (as detailed in the Code of Corporate Governance) including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors and by comments made by the external auditors and other inspection agencies.
- 3.3 In addition to the in-year assurance mechanisms detailed above the following year-end reviews of the governance arrangements and the control environment were undertaken:
- meeting with Strategic Directors to discuss the key elements of the control framework in place during the year and any areas where control weaknesses

had resulted in significant issues arising for the Directorate and their comments are reflected in this Statement. The Statement itself was considered by SLT on the 11th June and is supported by them as an accurate reflection of the governance arrangements in place for the year.

- obtaining assurances from other senior management, including the s151 Officer and the Monitoring Officer that internal control and corporate governance arrangements in these essential areas were in place throughout the year.
- reviewing external inspection reports received by the Council during the year, the opinion of the Chief Internal Auditor in their annual report to management and an evaluation of management information in key areas to identify any indications that the control environment may not be sound.
- consulting the Audit Committee regarding any potential issues they felt could indicate a problem with the control environment as a result of their work during the year.

#### 4. Significant Governance Issues

4.1 The review process has highlighted a number of new significant issues regarding the governance and internal control environment. Additionally, there are a number of issues which were highlighted in the 11/12 AGS which have not progressed sufficiently to be excluded from this year's statement. For each issue, detailed action plans have been determined by a responsible officer and a summary of the key elements of these are included in the table below:

Item No	Issue	Action to be undertaken in 2013/14, and Responsible Officer
1.	Business Change – the Council is undergoing significant change and further work is needed around: ensuring linkages between programmes are strengthened; risks analysis; and benefits realisation.	<ul style="list-style-type: none"> <li>• Portfolio management of all business change will be further strengthened, with key resources allocated to high priority areas.</li> <li>• Council wide target operating model to be further developed and become the primary mechanism for prioritisation of the change portfolio.</li> <li>• The Portfolio Management Group, supported by the Portfolio Management Office, focussing on risk analysis and benefits realisation as a result of the change process</li> </ul> <p>Service Director - Business Change &amp; ICT</p>
2.	Senior management capacity – fluid senior management position has led to a large amount of	<ul style="list-style-type: none"> <li>• City Director appointed May 2013</li> <li>• Interim Strategic Leadership Team Structure agreed (June 2013) with permanent structure to be in place by January 2014.</li> </ul>

Item No	Issue	Action to be undertaken in 2013/14, and Responsible Officer
	change at Strategic Director level and a disappearing of organisational memory.	City Director
3.	<p>Potential weaknesses in internal control in a number of financial systems (payroll, procurement, main accounting, bank reconciliation, debtors) due to:</p> <ul style="list-style-type: none"> <li>• changes to systems</li> <li>• restructuring changing staff roles</li> <li>• reduced experience on new systems</li> </ul>	<ul style="list-style-type: none"> <li>• Finance restructure undertaken and complete</li> <li>• Introduction of new finance system ABW from 1<sup>st</sup> April 2013 with an accompanying programme of training</li> <li>• Responsibility of transactional finance moved to Chief Finance Officer April 2013</li> <li>• End to end process reviews for core financial processes are in progress to ensure they are fit for purpose. These will be complete by 31<sup>st</sup> December 2013.</li> </ul> <p>Service Director Finance</p>
4.	<p>Decision Making - The constitutional powers regarding decision making need review to fully reflect the impact of an elected Mayor including clarity around process/protocol, recording both Mayoral and delegated decisions and arrangements to ensure robust challenge via the scrutiny function.</p> <p>Inadequate arrangements in place to ensure governance risks are identified and mitigated.</p>	<ul style="list-style-type: none"> <li>• Close working with elected Mayor with regard to decision making</li> <li>• Fundamental review of the Constitution to take place in 2013/14.</li> <li>• Review of scrutiny arrangements to take place in preparation for Boundary Commission Review.</li> <li>• System to be put in place around recording of delegated decisions.</li> <li>• Early involvement of SDLT in Cabinet Reports</li> <li>• Liaison between SDLT and heads of Legal and Finance on decision making reports</li> <li>• Timely involvement of Legal and Finance on detailed proposals for Cabinet reports</li> <li>• Withdrawal of reports which are not presented to Legal/Finance by agreed submission date.</li> <li>• Develop understanding of risk appetite and the need for thorough evaluation of risk in decision making.</li> </ul> <p>Implementation of actions responsibility of Senior Officers.</p> <p>Administration of actions to be performed by Monitoring Officer.</p>
5.	Mayor's Forward Plan -	<ul style="list-style-type: none"> <li>• Presentation to the Extended Leadership</li> </ul>

Item No	Issue	Action to be undertaken in 2013/14, and Responsible Officer
	<p>there is an issue with regard to late submission of items for inclusion in the forward plan. This impacts on the Council's ability to make consulted and informed decisions</p>	<p>Team regarding decision making protocol</p> <ul style="list-style-type: none"> <li>• Support of Strategic Leadership Team in ensuring items added in timely fashion to the Mayor's Forward Plan</li> <li>• Decision Making section of the Constitution updated in May 2013</li> </ul> <p>Implementation of actions responsibility of Senior Officers.</p> <p>Administration of actions to be performed by Monitoring Officer.</p>
6.	<p>Engagement of consultants:</p> <p>a) Excessive use of consultants resulting in lack of development of internal capacity.</p> <p>b) Inadequate strategic overview of engagement and use of consultants and availability of financial information resulting in non-compliance with procurement regulations and potential failure to achieve value for money.</p>	<ul style="list-style-type: none"> <li>• People programme identifying actions to address staff internal capacity issues</li> <li>• New finance system ABW to improve availability of financial information to highlight excessive use of consultants for management action</li> <li>• Clear protocol for the engagement and use of consultants to be developed and implemented. This will include approval for their engagement by a newly formed People Panel.</li> </ul> <p>Service Director Finance and Service Director Human Resources</p>
7.	<p>Lack of timely performance, financial and risk information to enable effective decision making.</p> <p>Improvements needed in compliance with the performance management framework.</p>	<ul style="list-style-type: none"> <li>• Review, determine and publish strategic priorities</li> <li>• Consolidate Resources Strategy in line with three year financial planning process</li> <li>• Improvements in transparency of the linkages from the top level delivery plan down to service business plans and team plans. Clear link between plans and budgets</li> <li>• Design of Performance Reports to address risk, resource, demographics and change programmes</li> <li>• Finalise and implement strategic risk management improvement plan</li> </ul>

Item No	Issue	Action to be undertaken in 2013/14, and Responsible Officer
		<ul style="list-style-type: none"> <li>• Introduction of new finance system ABW from 1<sup>st</sup> April 2013 that should enable 'live' financial information</li> </ul> <p>Head of Executive Office</p>
8.	Care Services Charging Policy applied incorrectly to a number of cases losing the Council revenue and causing undue confusion and stress among clients.	<ul style="list-style-type: none"> <li>• Charging moved back into Health and Social Care direct control</li> <li>• A review is underway of all cases with known issues in order to instigate corrective action</li> <li>• Medium term plan to move to a new IT system that combines Care Package information and billing</li> </ul> <p>Service Director – HSC Strategic Planning &amp; Commissioning and Service Director Finance</p>
9.	<p>Metrobus (BRT) project – significant issues identified in project including:</p> <ul style="list-style-type: none"> <li>• Funding gap that needs to be resolved</li> <li>• Governance arrangements across the West of England</li> <li>• Damage to reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Mayoral review of key decision underway</li> <li>• Detailed funding proposals to be finalised.</li> <li>• Metrobus Integration Director to be appointed by West of England Partners</li> <li>• Each schemes Programme Board to meet on the same to ensure synergy in issue resolution</li> <li>• Strengthening the role of the West of England Programme Assurance Board to take responsibility for integration issues from Programme Boards</li> <li>• Build improved relationship with Department for Transport</li> </ul> <p>City Director and Service Director - Transport</p>
10.	Information Security - potential for significant fines to the Council and distress to individuals due to breaches in Children and Young Peoples Services (CYPS) paper handling data security controls.	<ul style="list-style-type: none"> <li>• Data security controls raised with CYPS Directorate Leadership Team and regular reporting of incidences to CYPS Risk Champion and to management team meetings</li> <li>• Handling Sensitive Paper Records Standard issued and publicised</li> <li>• Training undertaken throughout all teams by CYPS management – with key reminders to implement quality assurance into manual processes where sensitive documents are handled</li> </ul>

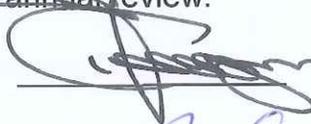
Item No	Issue	Action to be undertaken in 2013/14, and Responsible Officer
		<ul style="list-style-type: none"> <li>• Staff awareness to be raised regarding the consequences of breaching data security</li> <li>• Managers Security Checklist to support improvements to manual handling to be piloted in advance of a targeted role out</li> <li>• Internal Audit to provide specific data security support during 2013</li> </ul> <p>Strategic Director CYPS</p>
11.	Capital projects and programmes - A number of significant programmes have slipped in terms of expected timescales and costs and have not yet been delivered.	<ul style="list-style-type: none"> <li>• Creation of a Corporate Capital Programme Board to have oversight of the overall capital programme and undertake regular review of expenditure and slippage against the programme.</li> <li>• Improved forecasting of spend over the duration of the project facilitated by the new financial system.</li> <li>• Challenge and support to be provided by the Finance Business Partners acting as a critical friend.</li> </ul> <p>Service Director Finance</p>
12.	A number of Development Control (DC) Area Committees decisions have been subject to appeal. On appeal the Planning Inspectorate has found against the Council and on occasion has awarded costs against the Council (approx. £400k on one occasion)	<p>Options are being looked at by the Mayor with Members to reduce the risk, including possible actions of:</p> <ul style="list-style-type: none"> <li>• Gaining an understanding of the reasons for appeals being successful and why in some instances Members have overturned officer recommendations</li> <li>• Introducing a single DC Committee in order to improve consistency and robust decision making</li> <li>• Enhancing Member training and making refresher training mandatory</li> <li>• Monitoring decision making going forward.</li> </ul> <p>Members supported by the Service Director Planning &amp; Sustainable Development</p>

**5. Certification**

5.1 To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year with the exception of those areas identified in Section 4. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangement. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness, and will monitor their implementation and operation as part of our ~~next~~ annual review.

Mayor:

George Ferguson



Date: 24/9/2013

City Director:

Nicola Yates



Date: 24/9/2013