

**BRISTOL CITY COUNCIL
AUDIT COMMITTEE**

19th April 2013

Report of: the Service Director, Finance

Report Title: Financial Planning and Management Arrangements

Ward: Citywide

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RECOMMENDATION

The Audit Committee note the review of Bristol City Council's financial planning and management arrangements compared to those of Leeds City Council and consider the areas identified for improvement.

SUMMARY

The Audit Committee requested that a review of the Council's financial planning and management arrangements compared to those identified by Leeds City Council be undertaken. This review has identified that controls in place are generally very similar to Leeds. A few areas have been identified where Bristol does not have similar controls in place that would potentially be considered good practice.

The significant issues in the report are:

- Overall Bristol City Council has similar financial planning and management arrangements to Leeds City Council.
- A small number of areas for improvements in arrangements have been identified.

Policy

The Audit Committee requested in 20th April 2012 meeting that a review be performed to examine the Leeds report on "Financial Management Arrangements" to ensure Bristol City Council reports on all areas.

Consultation:

Internal: Service Director Finance

External: None necessary

1. Introduction

- 1.1 Through a Core Cities Work Programme Comparison it was identified that Leeds City Council had performed a review of their financial planning and management arrangements. The Audit Committee requested that Internal Audit perform a review of Bristol's arrangements against those identified by Leeds City Council in order to identify any areas of good practice or areas for improvement. The Leeds review was completed against the CIPFA Statement on the role of the Chief Financial Officer and the requirements in the Local Government Act 1972 for the Section 151 Officer.
- 1.2 The review of financial planning and management arrangements was focussed on the role of the Council's Section 151 officer and the following three processes which are central to financial planning and management:
 - budget preparation and setting
 - in year budget monitoring
 - closure of accounts and reporting

2. Key findings from comparison

2.1 Overall the arrangements in place in Bristol are similar to those in place in Leeds.

2.2 The following areas of good practice were identified:

- Directorate budgets are prepared in consultation with Cost Centre Managers and Service Directors. Within each directorate base budgets are adjusted to reflect key service changes. Further account is taken of cost pressures such as inflation and demographic growth. Savings proposals are formulated with and signed off by Service Directors and agreed by SLT.
- The introduction of ABW, the Council's new financial system will give budget managers greater control of their areas of responsibility and better opportunities to make informed financial decisions quickly.
- The Council has responded quickly to the significant reductions in government grants and has made £55million of savings over the last two years.
- Although the Council does not have a specific "budget risk register" the budget report to Council outlines details of the most substantial risks identified during the budget setting process. These risks are monitored throughout the year and reported on in the quarterly monitoring reports to Cabinet. Detailed financial risks are included in the relevant Corporate and directorate risk registers.
- The Council uses public consultation extensively to contribute to the budget setting process.
- The Audit Committee monitors Internal Audit and External Audit reports, the progress of implementation of recommendations, and has an

intervention role where required.

- Virement rules have been agreed by Full Council. With the introduction of ABW, Schemes of Delegation will be in place to ensure all virements are approved by the relevant Service Director, and where appropriate the Head of Corporate Finance.
- The finance department works closely with the External Auditor on the closedown working paper requirements and on technical accounts issues.
- External Audit provide assurances on the annual accounts and value for money arrangements including financial resilience
- Internal Audit assess the major financial systems

2.3 CIPFA requires the Section 151 Officer to be a member of the Leadership Team. Bristol has an alternative arrangement in place, in that the Section 151 Officer is the Service Director Finance who is not a member of SLT but has an open invitation to attend when necessary and receives all papers. He has historically had a direct reporting line and monthly meetings with the Chief Executive (Head of Paid Service) in relation to governance, going forward it is anticipated reporting will be to the City Director. He also attends formal Cabinet meetings and Cabinet briefings.

2.4 The following areas have been identified where Bristol does not have controls in place that would potentially be considered good practice:

- Internal Audit do not review the budget setting process, as this has not been felt to be necessary due to external audit scrutiny of budget setting and monitoring through their financial resilience assessment. The budget monitoring information for members is currently being reviewed and improved to ensure it meets Members needs.
- Leeds have a 'Finance Performance Group'. This group reviews financial projections for each Directorate monthly and challenges the figures. Bristol monitors budgets monthly through SLT with quarterly reports to Cabinet. However there is no in-built directorate level challenge mechanism. The restructure of Finance could provide an opportunity to include challenge of financial projections in the role of the Finance Manager or Finance Business Partner.
- Delegated virement decisions made by officers are not recorded by all Directors. The formal system for recording delegated decisions and reporting them to Members through the Members Information Service has lapsed which has reduced the transparency of decision making. With the introduction of the new finance system all virements will need to be approved by the relevant Service Director, and where appropriate, the Head of Corporate Finance. Strategic Directors and Members need to consider whether they are satisfied with the current arrangements or whether a system for recording and reporting of delegated decisions should be re-introduced.

2.5 Through the Finance Change Programme the responsibilities and structure of Finance has been reviewed against other comparable Local Authorities and against good practice guidance such as Grant Thorntons November 11 publication 'Surviving the storm: how resilient are local authorities'.

3. Conclusions

3.1 This review provides Members with some assurance that the Council has in place appropriate systems and procedures to deliver sound financial management and planning.

3.2 Areas identified above where improvements may be required will be discussed with the Service Director Finance for the feasibility of implementation.

3.2 It is important that the systems and procedures in place are kept under review especially in light of the large transformational changes across the Council and the changes to the finance systems and structure.

Other Options Considered

None necessary

Risk Assessment

Sound financial planning and management arrangements are key to the Council's service delivery and achievement of savings targets. Where necessary financial risks are included in the Council's Corporate and Directorate Risk Registers.

Equalities Impact Assessment

None necessary for this report

Environmental Impact Assessment

None necessary for this report

Legal and Resource Implications

Legal - none sought.

Resources - none arising from this report

Appendices

LOCAL GOVERNMENT ACCESS TO INFORMATION

Background Papers - Leeds City Council 21/3/12 Report to Corporate Governance and Audit Committee on 'Financial Planning and Management Arrangements'