

**BRISTOL CITY COUNCIL  
AUDIT COMMITTEE**

**24 September 2013**

**Report of: Strategic Director (Corporate Services)**

**Title: Grant Thornton's VfM reports**

**Ward: Citywide**

**Officer presenting report: Graham Friday Deputy Section 151  
Officer**

**Contact telephone number: 0117 92 22419**

**RECOMMENDATION**

The Audit Committee note, and comment as appropriate, on Grant Thornton's value for money reports for 2012/13.

**Summary**

We expect to present an unqualified Value for Money Conclusion in regard to the Council's arrangements to ensure economy, efficiency and effectiveness in its use of resources.

We undertook detailed work to support our VFM conclusion. We have prepared separate reports in respect of this work and these are attached to this summary.

The three local reports were:

1. Governance Review
2. Financial Resilience
3. VfM Conclusion Follow-up of recommendations.

**Policy**

None affected by this report. The Audit Commission has statutory responsibility for inspection and assessment at the Council. Grant Thornton are the Council's appointed external auditors. In carrying out their audit and inspection duties they have to comply with the relevant statutory requirements. In particular these are the Audit Commission Act 1998 and the Code of Audit Practice with regard to audit, and the Local Government Act 1999 with regard to best value and inspection.

## **Consultation**

**Internal:** Grant Thornton consulted with Senior Officers and Directors before finalising reports.

**External:** not applicable.

## **1 Introduction**

- 1.1 Grant Thornton is required to form an opinion on the Council's annual financial statements and to provide a value for money conclusion. These reports provide the Council detailed information and recommendations for those areas which were reviewed by Grant Thornton to support the 2012/13 VfM conclusion.
- 1.2 Grant Thornton, responsible for the City Council's audit, will be attending the Committee, and will be pleased to answer Members' questions.

## **Other Options Considered**

Not applicable.

## **Risk Assessment**

Not as a result of this report.

## **Equalities Impact Assessment**

There are no issues arising from this report.

## **Legal and Resource Implications**

None arising from this report.

## **Appendices:**

Appendix 1: Governance Review

Appendix 2: Arrangements for Securing Financial Resilience

Appendix 3: VfM Conclusion Follow-up of recommendations

## **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**Background Papers:** None



# Review of Governance for Bristol City Council

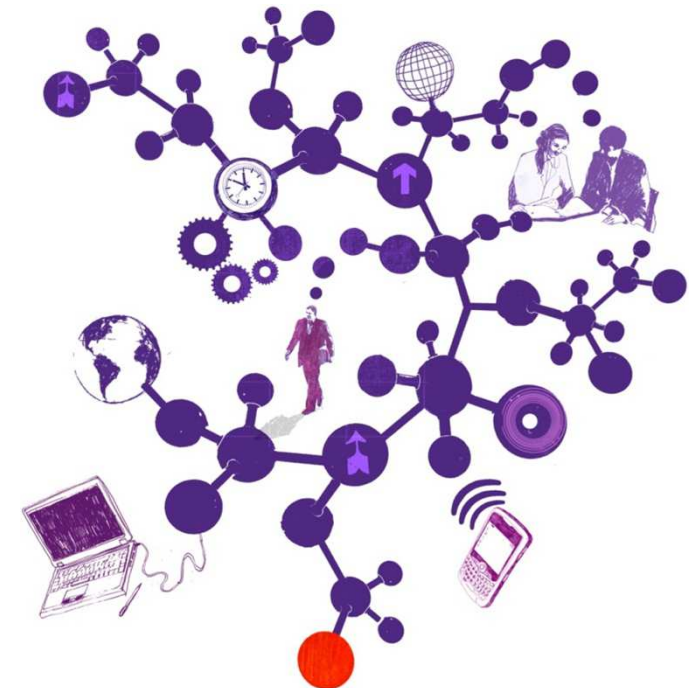
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**September 2013 Final**

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4. Way Forward

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# Introduction

As part of our 2012/13 audit planning and it was agreed that we would undertake an assessment of the governance arrangements across the Council, since the arrival of the Council's first elected Mayor.

The introduction of an elected Mayor creates a fundamental change in the Council's decision-making arrangements and the governance of the organisation. The Mayor replaces the previous Council Leader and is responsible for selecting the members of the Cabinet. The Mayor also performs a broader role representing the interests of Bristol's citizens, along with his member colleagues.

The Council's constitution has been amended to reflect the changes and new structures required to support the Mayor. This includes the Cabinet of six members, which now acts in an advisory role as the Mayor has chosen not to delegate any decisions and a Deputy Mayor.

In addition the Council is still required to have separate committees in a number of areas, including planning, licencing, overview and scrutiny and audit. Neighbourhood Partnerships also remain and are a development area, as new powers get delegated to them, in line with government policy (for example, the dissemination of authority for planning decisions, with two further partnerships recently having their remit extended for this purpose).

Due to the significance of the change for the governance framework of the Council, it was agreed that we should consider the implications as part of our external audit in 2013. The findings will be used to support our 2012/13 VfM conclusion.

## **Timing of this review**

The detailed field work was completed during April to June 2013 and our findings concluded in July and August 2013.

# Our audit remit and approach

The following schematic summarises the objectives of the review and the main questions that focused our work- they test many of the fundamental features of a comprehensive governance framework. However, as this was a high level review, we were not able to undertake detailed work on all areas. We propose undertaking more detailed work, in specific areas, as part of our audit in 2013/14 (this is set out within the final section of this report- the Way Forward).

To answer the questions, we reviewed relevant documentation and spoke to a number of officers from within the Mayor's Office, the senior leadership team and others who have played a significant role in adapting the Council's governance structure to meet the requirements of a mayoral model. Given this, the findings of our work primarily reflect an officer view of the governance framework.

## REVIEW OBJECTIVES

- to understand and document the changes in governance arrangements since the introduction of the Mayor; and
- to test the robustness of the governance framework in the light of the new model, giving due consideration to matters of leadership, systems and processes, culture and external focus

### KEY QUESTIONS: Leadership

- Are decision-making processes transparent? Are lines of accountability clear?
- Are decisions published?
- Is there a strategic plan that sets out the strategic priorities? Is the strategic purpose of the Council clear? Are outcomes tightly defined?
- Have the revised roles of the strategic leadership team been documented and their responsibilities agreed?
- Are decisions being taken by the right people, at the right time, based on robust data?
- Are scrutiny arrangements robust?
- Are mechanisms in place to evaluate the effectiveness of the Council's leadership?
- Are arrangements in place to develop the capacity and capability of leaders and senior officers?
- Has the scheme of delegation been updated to clarify the mayoral functions and the changing status of other key officers/ members?

### KEY QUESTIONS: Systems and Processes

- How is performance being monitored and managed at a corporate level? And how is the Mayor involved in this?
- How will the organisation ensure that it operates within the law and its own constitution?
- How are strategic risks being identified and managed?

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# Audit Findings

## Summary

Our review found that, whilst senior officers had undertaken extensive preparatory work prior to the elections of November 2012, this did not ensure complete readiness for the arrival of the Mayor. Given this, the last few months have seen senior officers working to shape an appropriate governance structure that is sufficiently robust, engages all elected Members and permits efficient and effective decision-making to drive the Council forward towards meeting its strategic aims. There is evidence that the recent appointment of a new City Director has quickened the pace of change and a route map is being formulated to clarify what needs to be done to resolve the weaknesses evident during our review.

The detailed findings of our review are drawn together on the following pages. From this, the key matters we consider need to be addressed, include:

- **clarifying the roles and responsibilities of bodies within the decision-making structure, and the process of decision-making-** to ensure a common understanding of responsibilities, how the arrangements work and compliance with the Council's constitution and statutory requirements. This includes the role of Members and the main statutory bodies of the Council, such as Full Council. Our review found that there is ambiguity in many areas and a lack of confidence in the effectiveness of the overall decision-making structures;
- **publishing the strategic priorities of the Council-** in order for resources across the Council to be appropriately aligned and to provide the right context and point of reference for decision-making. At the time of our review, the strategic direction was still being developed (through the marrying of the Mayor's priorities for Bristol, the 20:20 vision for Bristol and the Corporate Target Operating Model); and
- **strengthening performance and risk management.** At a strategic level, performance reports are not focused on priorities and do not allow the Mayor or senior officers to test progress towards priorities and to know where remedial action is needed. Full performance reports are presented to Cabinet on a quarterly basis, but these are lengthy documents containing detailed operational information, most of which is not needed at a senior level. Our work suggested that, at a strategic decision making level, risk management is limited.

Each of these issues has the potential to undermine governance arrangements and heighten the risk of decisions being taken that do not support the aspirations of the Council or ensure compliance with statutory duties. Although we have summarised our most significant findings within these three points, we do not underestimate the importance or extent of the work required to strengthen the decision-making framework. The forthcoming Boundary Review (2014) provides an additional impetus, as the shape of the Council and the constitution in place will inform and influence any boundary changes recommended. Prior to this exercise, it is essential that the Council resolves the issues noted within this report and amends its constitution and financial regulations accordingly, so that it is fit for purpose and in the right form for taking the City forward.

The key recommendations coming from our work have been summarised within an action plan and included at the end of this report. We will return to assess progress as part of our audit work in the coming audit year, 2013/14.



# Detailed Findings

Issue	Findings	Conclusion and Recommendations
<p>Decision making structures and processes</p>	<p><b>Structures</b></p> <p>At the time of our review, the key groups within the decision-making structure of the Council had recently been restructured and were at an early stage of forming. Changes had been made to the Strategic Leadership Team (SLT), Executive Board and Cabinet. The role, function and relationships between these three groups was still developing. Feedback suggested that Officers and Members had yet to commence operating as these structures intended, as a result their purpose and remit is yet to be widely understood.</p> <p>A key factor contributing to the delay in creating effective strategic leadership has been the instability of the senior management team. Since the arrival of the Mayor, two Strategic Directors have resigned and the Council currently has only two permanent tier one officers, including the recently appointed City Director. This has meant that senior leadership support has been inconsistent, limited and not always been readily available to the new Mayor, particularly where an insight into organisational history would have been of benefit.</p> <p>The Council is aware of the risks and opportunities that this has created and plans are in place to address the issue. An interim Strategic Leadership Team has been in place and recruitment plans are in operation to ensure that a permanent team can assume leadership responsibility from the beginning of January 2014. Officers will be recruited to reflect a revised organisational structure which was being debated and agreed at the time of our review.</p> <p>In respect of political structures, it is also recognised that, since the election of the Mayor, there has been a lack of understanding of roles, responsibilities and the relationships between the constituent parts of the system. This matter is understood and plans are also in place to resolve this risk. We discuss this further below, under roles and responsibilities.</p>	<p>At the time of our review individuals, both officers and elected Members were not operating consistently within the agreed structures as intended, undermining the effectiveness of the decision making processes in place.</p> <p>Whilst this is a critical issue and fundamental to effective governance within the Council, the newly appointed City Director has a clear understanding of the weaknesses and a plan to address them, as a priority.</p> <p>We will monitor progress as part of our on-going work.</p>

# Detailed Findings

Issue	Findings	Conclusion and Recommendations
Decision making structures and processes – continued	<p>Clarifying and ensuring compliance with both political and officer structures and relationships by the Council is timely given the recent announcement of the Boundary Commission that it will review Bristol constituencies in 2014/15. The shape and organisation of the Council will be a factor in any proposed changes so it is essential that the Council agrees a form that best reflects its current and projected mode of operation going forward.</p> <p><b>Processes</b></p> <p>In respect of decision making processes, our review found that there has been uncertainty amongst officers as to what is and what is not a key decision and, therefore, what processes need to be followed.</p> <p>Whilst the Council's processes for Executive decision making have not changed with the introduction of the Mayoral system there has been a lack of clarity regarding the role of the Mayor and Councillors and where background information needs to be supplied, and at what juncture. Feedback suggested that information to support decision making provided to the Mayor has not been as full and timely as it should have been and specific instances were cited of when the Mayor could have been better informed prior to making a decision.</p>	<p><b>Recommendation 1</b></p> <p><i>Incorporate a formal evaluation mechanism into the new arrangements in order to ensure compliance and to test whether or not the changes implemented achieve the planned impact. Specially, new arrangements must ensure:</i></p> <ul style="list-style-type: none"> <li>• <i>compliance and understanding with the agreed governance structures and processes;</i></li> <li>• <i>the relationships between officer and member strategic groups is clear;</i></li> <li>• <i>the role of the Mayor, senior Members and senior officers is clear;</i></li> <li>• <i>the statutory responsibilities of key individuals are consistently understood; and</i></li> <li>• <i>information to support decision making could be improved in terms of comprehension and timing.</i></li> </ul>
Strategic direction	<p>Our review found that work to clarify the strategic objectives and priorities of the Council had commenced but was yet to be finalised. Officers were working to marry the vision of the Mayor to the Council's longer term strategy and the corporate target operation model. No delivery plans were available to us and specific outcomes had yet to be defined.</p> <p>There are no formal reports or position statements showing how the priorities of the Mayor are being addressed and how delivery is to be supported, strategically and operationally.</p>	<p>The strategic priorities of the Council have yet to be formally published and as a result are unclear, permitting ambiguity as to how and where resources should best be focused.</p> <p><b>Recommendation 2</b></p> <p><i>The Council must clarify, as a matter of urgency, its strategic priorities.</i></p>

# Detailed Findings

Issue	Finding	Conclusion and Recommendations
<p>Roles and responsibilities</p>	<p>As well as raising questions regarding clarity as to the roles and responsibilities of key groups within the governance framework, our review found that there is uncertainty and misunderstanding regarding the parts to be played by officers and politicians at an individual level.</p> <p>A particular issue was raised around the role of Councillors since the election of the Mayor. Our work suggested that Councillors are unsure as to how they can now contribute to the development and work of the Council and influence decision making.</p> <p>The role of the Mayor, as leader, and how this position can work most effectively within the context of 70 elected councillors needs to be fully explored and appreciated. The Mayor has been directly elected by the electorate, to lead the Council, whereas the greater body of Members have been elected to represent the views of the population and their constituents. Currently, Members are not sure how and when they can do this and how they influence the decision making process.</p> <p>We understand that this matter is being discussed and that plans are being drawn up to address it and to clarify the function of Members within a robust governance framework. For example, it is anticipated that the agenda of Full Council will, in the future, provide the main forum for robust, informed and healthy debate, prior to decisions being taken. As a result this should follow work undertaken in advance by scrutiny so that expert questioning can lead a healthy challenge.</p>	<p>The role of Members is unclear within the current structure. Not all Members understand how and when they can play a part in decision-making.</p> <p><b><i>Clarify the roles and responsibilities of Members and the Mayor within the new decision-making process. (as per recommendation 1)</i></b></p>

# Detailed Findings

Issue	Finding	Conclusion and Recommendation
Scrutiny	<p>At the time of our review, new arrangements for Scrutiny were being implemented. However, early signs suggested that they were not having the impact desired, and that the work of Scrutiny was still not sufficiently focused on the priorities of the Council.</p> <p>As noted above, revisions to the roles of different groups and bodies within the corporate structure will, inevitably, impact on the functioning of scrutiny. For example, by clarifying and promoting the role of Full Council this will change the role of Scrutiny. The Council intends to review the role of Scrutiny as part of the preparations for the Boundary Commission..</p>	<p>The Scrutiny arrangements are not currently sufficiently focussed to provide robust challenge of the Council's priorities.</p>
Evaluating effectiveness	<p>Our work found that no mechanisms are in place to monitor and formally review the effectiveness of the governance arrangements.</p>	<p>Getting the most appropriate governance structure is challenging and it is rare for an organisation to get it 'right first time'. Therefore, it is essential that a process of review is implemented to ensure that, through progressive iterations, the best solution is arrived at, in a systematic and planned way, in the shortest time possible.</p> <p><b><i>See recommendation 1- evaluation mechanisms must be integral to any development plans in order for the Council to assess, on an on-going basis, the fitness for purpose of the governance regime in place.</i></b></p>

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## Detailed Findings

Issue	Finding	Conclusion
Developing capacity and capability	<p>The Council is in the process of recruiting permanent posts to the SLT from January 2014. A number of interim posts have been made to support existing capabilities and capacity. The state of flux over the past year has had an impact on the support available to the Mayor and it is recognised that the Mayor has not always received the support that he has needed.</p> <p>A widespread understanding of the need for, and value to be gained, from good governance arrangements is also a key finding emerging from our work. Further work is needed to ensure that there is a common appreciation as to why this is important and how it will support the Council in achieving its strategic ambitions.</p> <p>We have not been made aware of any training needs analysis or training provision in this area.</p>	<p>Stability and capability will be strengthened by the appointment of a new SLT.</p> <p>However, attention also needs to be given to building a wider appreciation of the importance of a robust governance regime, in order to deepen leadership capability. This should be addressed through the implementation of recommendation 1.</p>

# Detailed Findings

Issue	Finding	Conclusion
<p>Managing performance</p>	<p>Performance management arrangements within the Council have been subject to recommendations in previous audit reports and the findings of this review reflect these matters:</p> <ul style="list-style-type: none"> <li>• data underpinning performance management is not timely and not of sufficient granularity. Detailed reports go to Cabinet quarterly, but Cabinet receives no formal reports in between. The reports are lengthy and it is not easy to see how the Council is performing in key strategic areas;</li> <li>• performance indicators are not measuring the right things, at a strategic level. They do not allow progress towards the achievement of strategic objectives to be readily observed so that risk areas that need to be addressed can be identified; and</li> <li>• Officers have no systematic, formal means of informing the Mayor on how well the Council is working to support the delivery of his vision for Bristol.</li> </ul> <p>We understand that plans are in place to review the collection of all performance indicators and to develop a small number of strategic indicators that will allow high level monitoring of progress towards strategic objectives and a larger basket of more detailed indicators that will support managers operationally in delivering efficient and effective services.</p>	<p>The current performance management arrangements, at a strategic level, do not allow senior officers and Members to easily see how well resources are being invested in priority areas to deliver the outcomes required.</p> <p><b><i>Recommendation 3</i></b>  <b><i>Agree a core set of strategic indicators that reflect the strategic priorities of the Council, showing leaders whether the organisation is on track to meet its objectives. These should be reported a systematic and timely way.</i></b></p>

# Detailed Findings

Issue	Finding	Conclusion and Recommendation
<p>Operating within the law</p>	<p>At the beginning of our review (April 2013) the Council published an updated Constitution. The Council is confident that it is operating within the statutory guidelines and plans are being developed for a further update. It is hoped that this will ensure that the Council has a constitution that is better fit for purpose, underpinning a more inclusive governance framework that makes better use of the skills and expertise available, particularly within the member body.</p> <p>The publication of the Forward Plan, when our work commenced, was also an issue, with limited information available on what decisions were to be taken and when. Although we understand that this matter has been partially addressed, it still contains a significant number of gaps (many items are 'pending'). The Council's draft Annual Governance Statement also raises this issue and the timeliness of items going into the plan.</p> <p>The final risk, in respect of legality and the assurance provided by the governance framework concerns predetermination. Concerns were raised regarding rhetoric and the use of social media to encourage public engagement. This needs to be carefully managed to ensure that future decisions are not undermined by an unintended perception that a final position has been reached when this is not the case. Due process in decision-making must be well understood and properly followed to reduce the risk of challenge undermining decisions when they are taken.</p>	<p>There is confidence that the Council is now operating within statutory guidelines. An updated constitution is to be produced later this year that reflects forthcoming changes to the decision making arrangements.</p> <p><b><i>Recommendation 4</i></b>  <b><i>Ensure that the Forward Plan is up to date and complete, to the extent that this is possible.</i></b></p>

# Detailed Findings

Issue	Findings	Conclusion and Recommendation
Managing risks	<p>In challenging risk management as part of governance review, we found that limited time is given to assessing and monitoring risks, at a corporate level. Feedback suggested that the Council is not proactive in identifying and managing high level risks and that a thorough assessment of risks is not always undertaken and reported before decisions are taken.</p>	<p>Strategic risk management is currently limited and not embedded within the decision-making process.</p> <p><b><i>Recommendation 5</i></b>  <b><i>Ensure that risks are properly assessed as part of the decision-making process, at a strategic level.</i></b></p>
External Focus	<p>Following the arrival of the elected Mayor the Council has experienced an increase in the level of public engagement. Our review found that the new structure of the Council promotes openness and actively seeks to engage stakeholders. Whilst the use of social media is now a popular tool, there has also been an increase in other sources of communication, such as face to face contact and radio question times. There is recognition that a broader range of mechanisms are required to ensure that all stakeholders have equal access, as much as possible.</p> <p>However, we found that the increase in public engagement has meant that capacity within the Mayor's office is limited and the high level of written correspondence (by post and e-mail) continues to create a challenge. It is essential that processes are in place to better manage these sources of communication as feedback from service users and stakeholders is essential to know whether or not services are being delivered as intended and to allow any concerns to be raised.</p>	<p>There are a number of routes by which members of the public and stakeholders can engage with leaders and the decision-making process. Capacity needs to be created within the Mayor's office so that such communications can be managed efficiently and effectively.</p> <p><b><i>Recommendation 6</i></b>  <b><i>Review the arrangements for managing communication to the Mayor so that timely and appropriate responses can be given.</i></b></p>



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# Way Forward

This review considered the breadth of governance arrangements at a high level and concludes that changes are needed in three main areas;

- the decision making structure and process;
- the strategic vision, which provides the context for decision-making; and
- the performance and risk management arrangements in place to allow the Mayor, senior officers and Members to see whether or not the Council is achieving what it set out to achieve.

We acknowledge the work already set in train to address these points and the recommendations emanating from the action plan takes this into account. We have emphasised the need to evaluate the impact of planned changes and to monitor whether or not they have the impact intended, both in the short and longer term.

Due to on-going changes within the Council, and the findings of this review we will undertake further work on this area to inform our 2013/14 VfM conclusion. Specifically, as our work this year provided an overview of governance, from an officer perspective, more detailed work is needed to challenge:

- the views of Members as to what is working or not working within the decision-making structure- is the officer view reflected in our findings this year accurate or do Members have a different understanding?
- the effectiveness of revised decision-making processes- is the right information getting to the right place, at the right time, to ensure that the best policies are agreed? We propose following through a number of key decisions to test the basis on which they were made.
- the contribution of scrutiny to the governance framework- does the scrutiny structure support provide an appropriate level of testing prior to decisions being taken, and is it focused on helping to drive through the strategic priorities of the organisation?
- risk management arrangements, at both a strategic and operational level- are they strengthening governance by ensuring a thorough and detailed appreciation of what may prevent the successful delivery of strategic goals and, thus, feeding plans to mitigate against barriers and obstacles to change.
- performance management arrangements- are new arrangements designed to show officers and members whether or not the Council is on track to meet its objectives working in practice? Previous audits have raised many concerns regarding the fitness for purpose of systems in this area and yet it is an essential component of good governance.

As these points reflect the recommendations within the action plan, our work will primarily be a detailed follow up of the agreed action plan.

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# Appendices

# Action plan

## Priority

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p>Incorporate a formal evaluation mechanism into the new arrangements in order to ensure compliance and to test whether or not the changes implemented achieve the planned impact. Specially, new arrangements must ensure:</p> <ul style="list-style-type: none"> <li>• Compliance and understanding with the agreed governance structures and processes;</li> <li>• the relationships between officer and member strategic groups is clear;</li> <li>• the role of the Mayor, senior members and senior officers is clear;</li> <li>• the statutory responsibilities of key individuals are consistently understood; and</li> <li>• information to support decision making could be improved in terms of comprehension and timing.</li> </ul>	High	<p>The evaluation process will include:</p> <p>(i) Review of Portfolio Holder briefings to determine whether the proposed executive decisions are appropriately tracked through the proper decision making process as key decisions or officer decisions requiring publication.</p> <p>(ii) Analysis of records held by Corporate Procurement to ascertain whether contracts between 100k and 500k are being appropriately published as officer decisions.</p> <p>(iii) The extent of urgent decision making to determine the timeliness of reports to support decision making.</p>	<p>Service Director, Legal</p> <p>December 2013 and on going</p>
2	<p>The Council must clarify, as a matter of urgency, its strategic priorities.</p>	High	<p>Using the Mayor's vision, pre-existing partnership priorities, and intelligence from customer insight about what Bristol citizens feel is most important, seven core strategic priorities were developed to feed in to and support the Council's process for the development of a three-year financial plan. In addition, in November 2013 the Mayor will launch his vision for Bristol, providing a strategic framework from which all corporate priorities and plans will cascade.</p>	<p>Head of Executive Office</p> <p>30 November 2013</p>

# Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
3	Agree a core set of strategic indicators that reflect the strategic priorities of the Council, showing leaders whether the organisation is on track to meet its objectives. These should be reported a systematic and timely way.	High	Aligned to the seven priorities above, we have re-aggregated performance measures under each of these headings and reflected in our regular outcome reports.	Head of Executive Office On going
4	Ensure that the Forward Plan is up to date and complete, to the extent that this is possible.	High	Staff are periodically reminded of the requirement to maintain an up to date forward plan. The actions outlined in item 1 will monitor compliance.	Service Director, Legal  On going
5	Ensure that risks are properly assessed as part of the decision-making process, at a strategic level.	High	<p>The Council has already recognised the need to strengthen the effectiveness of strategic risk management and ensure arrangements are embedded within the management of the organisation. A draft action plan has been formulated and is currently out for consultation with the Risk Management Group and then SLT.</p> <p>The improvement plan includes:</p> <ul style="list-style-type: none"> <li>• Strengthening corporate planning processes to include risk assessment and identification/communication of the Council's risk appetite in determining delivery strategies for achieving corporate objectives</li> <li>• Ensuring performance reporting identifies risk decisions required in timely and clear performance reports</li> <li>• Strengthening key decisions to ensure alternative delivery options and the associated risks are properly considered</li> <li>• Enhancing the role of the Risk Officer in Internal Audit to provide a proactive and challenging Risk Manager role to support and drive the improvements required.</li> </ul>	<p>Head of Internal Audit</p> <p>Risk Management Group consultation schedule for 7 October 2013</p> <p>SLT consultation scheduled for 15 October 2013</p> <p>Cabinet Member consultation scheduled 24 October 2013</p> <p>Audit Committee consultation scheduled 9 November 2013</p> <p>Action plan includes a number of actions to be implemented during the remainder of 2013/14 and to June/July 2014</p>

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## Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
6	Review the arrangements for managing communication to the Mayor so that a timely and appropriate response can be given.	Medium	Using resources from the Bristol Workplace Programme a complete process re-engineering in the Mayor's / Executive Office alongside a revamp of the physical office space is being implementing . By October 2013 we will have in place modernised and streamlined systems for casework, correspondence, diary management etc.	Head of Executive Office  31 October 2013



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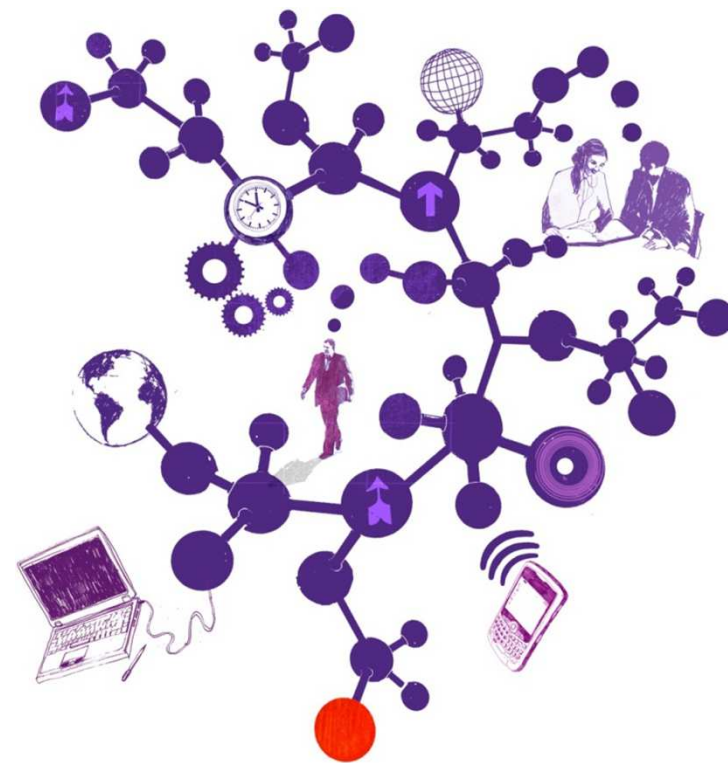
# Review of the Council's Arrangements for Securing Financial Resilience for Bristol City Council

**Year ended 31 March 2013**

September 2013 - Final

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# Executive Summary

## Our approach

### Value for Money Conclusion

Our work supporting our Value for Money (VfM) conclusion, as part of the statutory external audit, includes a review to determine if the Council has proper arrangements in place for securing financial resilience.

In so doing we have considered whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. We have carried out our work in discussion and agreement with officers and completed it in such a way as to minimise disruption to them.

The definition of foreseeable future for the purposes of this financial resilience review is 12 months from the date of this report.

We have reviewed the financial resilience of the Council by looking at:

- Key indicators of financial performance;
- Its approach to strategic financial planning;
- Its approach to financial governance; and
- Its approach to financial control.

Further detail on each of these areas is provided in the sections of the report that follow.

## Overall conclusion

Overall our work highlighted that adequate arrangements and characteristics are in place, but not all. Processes should be improved within strategic financial planning, financial governance and financial control to ensure the Council has proper arrangements in place to secure financial resilience in all areas.

We have used a red/amber/green (RAG) rating with the following definitions.

Green	<b>Arrangements meet or exceed adequate standards.</b> Adequate arrangements identified and key characteristics of good practice appear to be in place.
Amber	<b>Potential risks and/or weaknesses.</b> Adequate arrangements and characteristics are in place in some respects, but not all. Evidence that the Council is taking forward areas where arrangements need to be strengthened.
Red	<b>High risk:</b> The Council's arrangements are generally inadequate or may have a high risk of not succeeding

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# Executive Summary (continued)

## National and Local Context

### National Context

The Chancellor of the Exchequer announced the current Spending Review (SR10) to Parliament on 20 October 2010. SR10 represented the largest reductions in public spending since the 1920s. Revenue funding to local government was to reduce by 19% by 2014/15 (excluding schools, fire and police). After allowing for inflation, this equates to a 28% reduction in real terms with local government facing some of the largest cuts in the public sector. In addition, local government funding reductions were frontloaded, with 8% cash reductions in 2011/12. This followed a period of sustained growth in local government spending, which increased by 45% during the period 1997 to 2007.

The Chancellor of the Exchequer, in his Autumn Statement in November 2011, announced further public spending reductions of 0.9% in real terms in both 2015/16 and 2016/17. In his Autumn Statement on 5 December 2012, the Chancellor reinforced austerity measures announcing a further £6.6bn of savings during 2013/14 and 2014/15. Whilst health and schools will be continue to be protected in line with the Government's policy set out in SR10, local government will continue to face significant funding reductions. The Department for Communities and Local Government will contribute £470m of these additional savings, £445m of which will come from local authority funding during 2014/15, with local authorities being exempt from additional savings in 2013/14. In his March 2013 Budget the Chancellor announced further departmental 1% savings during each of 2013/14 and 2014/15. The NHS and schools remain protected, but police and local government will need to find an additional 0.5% over both years.

The next spending round period, 2015/16, was announced by the Chancellor on 26 June 2013. Local government will face a further 10% funding reduction for this period.

These funding reductions come at a time when demographic and recession based factors are increasing demand for some services, and there is a decreasing demand for some services, such as car parking, where customers pay a fee or charge.

Financial austerity is expected to continue until at least 2017.

### Local Context

Bristol is the largest city in the South West with an estimated population of 441,300. It is a vibrant multi-cultural city with a strong local economy. In recent years the health and well being of the population has improved, although significant differences remain between specific geographical areas. Bristol has very prosperous and affluent areas as well as deprived localities.



Bristol City Council was established as a unitary authority in 1995 and has since been working in partnership with its local authority neighbours on issues such as transport.

Following the SR10 Bristol City Council (the Council) had to identify savings of £29m in 2011/12, followed by £25m in 2012/13 and £35m in 2013/14 the Council has achieved these targets. It is anticipated that the Council will need to deliver savings in the region of £80m from 2014/15 onwards.

In 2013 the Council replaced its main financial systems which were no longer suitable to meet the information needs of a large unitary authority. The Council also restructured its finance function whilst managing the introduction of the new system.



# Executive Summary (continued)

## Overview of Arrangements

Risk area	Summary observations	High level risk assessment
<b>Key Indicators of Performance</b>	<p>In comparison to its "nearest neighbours" (Audit Commission VfM indicators) the Council is not an outlier and is consistent with the trends indicated by other Councils for the majority of the indicators. The exception to this is school balances as a proportion of the designated schools grant where the Council has one of the highest amounts of school balances.</p> <p>The Council has achieved a revenue underspend for the third consecutive year, whilst maintaining its useable reserves at £7.9m. However, the capital spend for 2012/13 was £69m, 42% below planned.</p> <p>Average sickness absence rates have increased, with this increase being greatest within the Health and Social Care Directorate and the proportion of staff having completed an annual PMDS has dropped to 85.8%.</p>	 Green
<b>Strategic Financial Planning</b>	<p>The Council does not have a published medium term financial plan which brings together the Corporate Priorities, the Medium Term Financial Plan (MTFP) 2012/13 to 2014/15 published in March 2012 and the Mayor's election pledges.</p> <p>The Council has agreed its budget for 2013/14 but has not published any detailed financial plans beyond the 2013/14 budget. Work is underway within the Council to develop a financial plan for the next three years and it is anticipated that the MTFP will look at the years from 2014/15 onwards.</p>	 Amber

# Executive Summary (continued)

## Overview of Arrangements

Risk area	Summary observations	High level risk assessment
<b>Financial Governance</b>	<p>Following the arrival of the elected Mayor the Council has had to restructure and clarify its governance structures. The key groups within the decision-making structure of the Council (Strategic Leadership Team - SLT, Executive Board and Cabinet) are at an early stage of forming, as a result their purpose and remit is yet to be widely understood.</p> <p>This lack of clarity has also been compounded by significant changes within the membership of SLT and as at August 2013 only two posts are permanent posts.</p> <p>Supporting documentation such as the Constitution has been updated, but the Financial Regulations have not. The Council's website refers to the Financial Regulations as at July 2012 and make no reference to the Mayor. We consider that these changes and the lack of updated Financial Regulations have had an impact on Member and Officer clarity and understanding of the current governance arrangements.</p> <p>In order to support financial governance arrangements the information provided to Members needs to be provided on a more timeliness basis.</p>	 <b>Amber</b>
<b>Financial Control</b>	<p>The Council has a good track record of achieving its planned budget, under spending its 2012/13 net revenue budget by £3.1m.</p> <p>The Council has achieved its savings target of £25m, although this has been achieved by bringing forward savings planned for 2013/14, identifying alternative savings plans and underspends across a range of services. However, for the second consecutive year the head of Internal Audit opinion has been 'Needs Improvement' with a level of risk to the Council 'of Concern'. As part of this opinion Internal Audit has identified that satisfactory levels of control have not been maintained across the Council's key financial systems.</p> <p>In addition recommendations raised by Internal and External Audit are not addressed in a timely manner.</p>	 <b>Amber</b>

# Executive Summary (continued)

## Next Steps

Area of review	Key points for consideration	Priority	Responsibility	Timescale	Management response
The Council should:					
<b>Key Indicators of Performance</b>	<ul style="list-style-type: none"> <li>consider how the increase in sickness absence rate could be addressed and reduced going forward</li> </ul>	M	Service Director Human Resources	December 2013	The Council recognises that sickness absence rate needs to be reduced and is already taking action to address this. A new Employee Assistance Programme providing employees with access to well being support 365 days 24/7 was introduced in April 2013. The sickness absence rate was 8.03 days per employee at the end of quarter 1 (30th June 2013) for the 2013/14 fiscal year.
	<ul style="list-style-type: none"> <li>ensure that all eligible staff are appraised and have an annual PMDS</li> </ul>	M	Service Director Human Resources	December 2013	This is a priority for the Council. There were particular difficulties in 2012/13 concerning the Health and Social Care Directorate. These were related to significant organisational change and downsizing. Action has been taken to improve the levels of compliance in this area.
	<ul style="list-style-type: none"> <li>strengthen arrangements and controls supporting capital expenditure and ensure the amount of capital slippage in 2013/14 is reduced</li> </ul>	M	Chief Finance Officer/ Strategic Director Regeneration	December 2013	A Corporate Capital Programme Board has been established with the aim of ensuring that the capital programme is delivered on schedule.
	<ul style="list-style-type: none"> <li>ensure those that are responsible for school balances are aware of how Bristol compares to others</li> </ul>	L	Head of Corporate Finance	December 2013	Report to be presented to Schools Forum.

# Executive Summary (continued)

## Next Steps

Area of review	Key points for consideration	Priority	Responsibility	Timescale	Management response
The Council should:					
<b>Strategic Financial Planning</b>	<ul style="list-style-type: none"> <li>publish a medium term financial plan that covers the next 3-5 years, which is based on detailed scenario planning and takes into account demographic trends</li> </ul>	H	Chief Finance Officer	March 2014	Development of a robust medium term financial forecast and budget strategy is a corporate priority and significant activity is currently underway. A report outlining budget progress and process will be considered by Resources Scrutiny on 20 September 2013.
<b>Financial Governance</b>	<ul style="list-style-type: none"> <li>update its Financial Regulations to reflect current governance arrangements</li> <li>ensure that information provided to the Strategic Leadership Team, the Mayor and Members enables effective decision making and is provided on a more timely basis</li> </ul>	H	Chief Finance Officer	December 2013	Review currently underway with aim to present revised Financial Regulations to Council for approval in December.
<b>Financial Control</b>	<ul style="list-style-type: none"> <li>ensure satisfactory levels of internal control are maintained across the Council's key financial systems.</li> </ul>	H	Chief Finance Officer	March 2014	The council has replaced its financial systems with Agresso Business World (ABW) which went live on 1 April 2013. Action plans are being developed to address and reduce residual internal control issues and risks.



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# Key Indicators

## Introduction

This section of the report includes analysis of key indicators of financial performance, benchmarked where this data is available. These indicators include:




- Working capital ratio
- Long term borrowing to tax revenue
- Long term borrowing to long term assets
- Sickness absence levels
- Out-turn against budget
- Useable Reserves: Gross Revenue Expenditure
- Schools Reserves - Balances to DSG allocations

We have used the Audit Commission's nearest neighbours benchmarking group comprising the following authorities:

- Plymouth City Council
- Trafford Metropolitan Borough Council
- Warrington Borough Council
- Coventry City Council
- Derby City Council
- Portsmouth City Council
- Southampton City Council
- Swindon City Council
- Kirklees Metropolitan Council
- Sheffield City Council
- Salford City Council
- Newcastle City Council
- Leeds City Council
- North Tyneside Council
- Dudley Metropolitan Council




# Key Indicators (continued)

## Overview of performance

Area of focus	Summary observations	Assessment												
<b>Liquidity</b>	<p>The working capital ratio indicates if an authority has enough current assets, or resources, to cover its immediate liabilities. The Council's working capital ratio for 2011/12 was 1.46:1, its highest level in the last 5 years. Compared to its neighbour group, the Council has the 4<sup>th</sup> best ratio, with only one council having a ratio that is above 2:1, meaning assets are double liabilities and 8 falling below the 1:1 level.</p> <p>This indicates that the Council's arrangements are adequate but that as working capital will come under increasing pressure it will need to be carefully monitored.</p>	 <b>Green</b>												
<b>Borrowing</b>	<p>The two indicators for borrowing, long term borrowing to tax revenue and long term borrowing to long term assets show that the Council's long term borrowing exceeds tax revenue, but that long term assets exceed long term borrowing. The Council is in line with its statistical nearest neighbours.</p> <p>The Council reported its treasury management annual report to Cabinet for the Mayor's approval in June 2013. The report included a summary of performance and the Council's compliance against the Prudential indicators.</p>	 <b>Green</b>												
<b>Workforce</b>	<p>The Council's sickness absence rate had decreased from 2008/9 until 2011/12, but has increased to 8.73 days per FTE in 2012/13, above its planned target of 7.5 days. The Council considers that this increase is a result of increases within the Health and Social Care Directorate which is undergoing transformational change.</p> <p>It is the Council's policy that all eligible staff should have an annual Performance Management Development Scheme (PMDS). The table below illustrates the increase year on year until 2010/11, with a slight decrease in 2011/12 and a more substantial decrease in 2012/13.</p> <table border="1" data-bbox="367 1246 1695 1410"> <thead> <tr> <th></th> <th>2008/09</th> <th>2009/10</th> <th>2010/11</th> <th>2011/12</th> <th>2012/13</th> </tr> </thead> <tbody> <tr> <td>Increase PMDS compliance (% of eligible staff with a PMDS score)</td> <td>86%</td> <td>92%</td> <td>96%</td> <td>94.4%</td> <td>85.8%</td> </tr> </tbody> </table>		2008/09	2009/10	2010/11	2011/12	2012/13	Increase PMDS compliance (% of eligible staff with a PMDS score)	86%	92%	96%	94.4%	85.8%	 <b>Amber</b>
	2008/09	2009/10	2010/11	2011/12	2012/13									
Increase PMDS compliance (% of eligible staff with a PMDS score)	86%	92%	96%	94.4%	85.8%									

# Key Indicators (continued)

## Overview of performance

Area of focus	Summary observations	Assessment
<b>Performance Against Budgets: revenue &amp; capital</b>	<p>The Council has a good track record of ensuring net revenue spend is below budget. For 2012/13 net spend was £3.1m below budget, compared to £1.9m in 2011/12 and £3.3m in 2010/11. The overall underspend of £3.1m was below the £1.8m forecast reported to Cabinet in January 2013.</p> <p>Spending compared to budget for the service directorates was £2m under budget, an improvement in the £0.6m overspend in 2011/12. The Corporate Services Directorate achieved an underspend against budget of £2m, both Health and Social Care and the Neighbourhoods and City Development Directorates achieved small underspends, whereas the Children and Young Peoples Service Directorate delivered an overspend of £0.3m. This was an improved position for the Children and Young Peoples Service Directorate although it has to be recognised that additional funds had been allocated to the CYPS Directorate to enable it to manage increasing demand.</p> <p>The capital spend for 2012/13 was £96m, £69m below plan. This equates to 42% slippage against the agreed budget, a significant amount in comparison to the previous year when the Council reported slippage at 17% against the agreed budget.</p> <p>This was due to slippage across all the Directorates, but mainly within the Children and Young People's Services.</p>	 <b>Amber</b>
<b>Reserve Balances</b>	<p>It is the Council's policy to maintain a target working balance of £6m, the Council has continued to achieve this and has disclosed in its 2012/13 annual accounts a closing balance of £7.9m (subject to audit), having used reserves in the region of £1.9m during the year.</p> <p>Between 2007/08 and 2011/12 the ratio for Bristol's useable reserves as a share of expenditure has remained fairly constant at 0.08 placing it 6<sup>th</sup> among its neighbourhood peer group.</p>	 <b>Green</b>
<b>Schools Balances</b>	<p>The Council's ratio (school balances in relation to the total DSG allocation received for the year) of 0.10 for 2011/12 and 2010/11 remains equal highest in its neighbourhood peer group. The Council should make the Schools Forum aware of this indicator and how Bristol compares to other local authorities.</p>	 <b>Amber</b>

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# Strategic Financial Planning

## Key characteristics of good strategic financial planning

In conducting our review of strategic financial planning we have assessed the Council's performance against the following indicators:

- Focus on achievement of corporate priorities is evident through the financial planning process. The MTFP focuses resources on priorities.
- The MTFP includes outcome measures, scenario planning, benchmarking, resource planning and details on partnership working. Targets have been set for future periods in respect of reserve balances, prudential indicators etc.
- Annual financial plans follow the longer term financial strategy.
- There is regular review of the MTFP and the assumptions made within it. The Council responds to changing circumstances and manages its financial risks.
- The Council has performed stress testing on its model using a range of economic assumptions including CSR.
- The MTFP is linked to and is consistent with other key strategies, including workforce.
- KPIs can be derived for future periods from the information included within the MTFP.

# Strategic Financial Planning (continued)

Area of focus	Summary observations	Assessment
<b>Focus of the MTFP</b>	<p>The Council does not have a published medium term financial plan which brings together the Corporate Priorities, the MTFP 2012/13 to 2014/15 published in March 2012 and the Mayor's election pledges. Work is underway within the Council to develop financial plans for the next three years and it is anticipated that the MTFP will look at the three years from 2014/15 onwards.</p> <p>The Council has not published any detailed financial plans beyond the 2013/14 budget.</p> <p>However significant work has begun by the finance team, SLT and the extended leadership team to develop sustainable plans leading up to 2016/17.</p>	 <b>Amber</b>
<b>Adequacy of planning assumptions</b>	<p>The Council has considered planning assumptions within its 2013/14 budget and these were reported to Members in February 2013. Details were included on the planned savings target for the year.</p> <p>These assumptions have yet to be developed and expanded for the medium to long term.</p> <p>The Council's current financial modelling indicates that it has a funding gap in the region of £80m between 2014/15 and 2016/17. Members through the Resources and Scrutiny Commission were made aware of this in October 2012 and have been updated on a regular basis.</p>	 <b>Green</b>
<b>Scope of the MTFP and links to annual planning</b>	<p>The Mayor agreed his first revenue and capital budget in February 2013. The budget was debated on a number of occasions and included a number of amendments following consultation.</p> <p>The Council is under going a significant amount of change following the arrival of an elected Mayor, changes in the Strategic Leadership Team and the transformational programmes and as a result does not have an agreed strategic plan. Although services do have annual plans and key strategies these are only able to reflect the Council short term priorities in the 2013/14 budget.</p>	 <b>Amber</b>
<b>Review processes</b>	<p>The Council has not updated the Corporate Priorities and MTFP 2012/13 to 2014/15 published in March 2012 to reflect the 2013/14 budget and the Mayor's election pledges.</p> <p>The Council has reviewed and updated its annual budget.</p>	 <b>Amber</b>
<b>Responsiveness of the Plan</b>	<p>The 2013/14 budget includes some scenario planning but this is limited. It does not demonstrate that an alternative plan has been formulated should the original plan not be met. However, Bristol has demonstrated, by bringing forward savings plans that it can be responsive. It should build on this and ensure detailed modelling and scenario planning is built into the MTFP for 2014/15 and beyond.</p>	 <b>Amber</b>

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# Financial Governance

## Key characteristics of effective financial governance

In conducting our review of financial governance we have assessed the Council's performance against the following indicators:

### Understanding

- There is a clear understanding of the financial environment the Council is operating within:
  - Regular reporting to Members. Reports include detail of action planning and variance analysis etc.
  - Actions have been taken to address key risk areas.
  - Officers and managers understand the financial implications of current and alternative policies, programmes and activities.

### Engagement




- There is engagement with stakeholders including budget consultations.

### Monitoring and review

- There are comprehensive policies and procedures in place for Members, Officers and budget holders which clearly outline responsibilities.
- Number of internal and external recommendations overdue for implementation.
- Committees and Cabinet regularly review performance and it is subject to appropriate levels of scrutiny.
- There are effective recovery plans in place (if required).



# Financial Governance (continued)

## Understanding and engagement

Area of focus	Summary observations	Assessment
<b>Understanding the Financial Environment</b>	<p>Arrangements have been developed and improved during the year to ensure the Mayor, Deputy Mayor, SLT and Cabinet have been informed of the financial position as roles and responsibilities have developed. Changes had been made to the Strategic Leadership Team (SLT), Executive Board and Cabinet. The role, function and relationships between these three groups is still developing, and feedback suggested that Officers and Members had yet to commence operating as these structures intended, as a result their purpose and remit is yet to be widely understood. This lack of clarity has also been compounded by significant changes within the membership of SLT and as at August 2013 only two posts are permanent posts, the City Director and the Director of Public Health.</p> <p>Supporting documentation such as the Constitution has been updated, but the Financial Regulations have not. The Council's website refers to the Financial Regulations as at July 2012 and makes no reference to the Mayor.</p> <p>We consider that these changes and the lack of updated Financial Regulations have had an impact on understanding the financial environment during the year.</p>	 <b>Amber</b>
<b>Executive and Member Engagement</b>	<p>The Mayor, Members and SLT were involved in the financial processes and position of the Council and their engagement has been demonstrated through the process of setting the 2013/14 budget. Member engagement on an informal basis has been maintained through regular meeting with the portfolio executive lead.</p> <p>Member engagement has been maintain by scrutiny meetings continuing, although we note that the scrutiny function has been undermined by the lack of clarity around roles and responsibilities. This issue is taken into account in 'Understanding the Financial Environment' above.</p> <p>The role of SLT has also been affected by the lack of permanent tier one posts and tier two officers have had to meet this requirement at a strategic level. However, we do recognise the improvement that the appointment of the City Director should have going forward.</p> <p>The Council's Section 151 Officer is not a member of SLT but does attend to discuss specific finance issues and receives copies of all papers.</p>	 <b>Green</b>
<b>Overview for controls over key cost categories</b>	<p>The Council has for a number of years been aware of those key areas which are high cost and/or are under performing, for example, adult social care costs. The Council has been aiming to address these issues through the Change Agenda.</p> <p>The use of benchmarking and unit cost information is available, but its prevalence and how it is used differs across the Directorates.</p>	 <b>Amber</b>

# Financial Governance (continued)

## Understanding and engagement

Area of focus	Summary observations	Assessment
<b>Budget reporting: revenue and capital</b>	<p>Officers report quarterly to the Strategic Leadership Team (SLT) and Cabinet. The Resources and Scrutiny Commission received only two reports for 2012/13.</p> <p>The financial reports summarising the position against budget are prepared at Directorate level for Directorate Team meetings, the content of which is summarised by the Corporate Finance Team for reporting to SLT and Cabinet. During the year the revenue monitoring reports to Cabinet and the Scrutiny Commissions only included the forecast outturn position to the year end. They did not include actual position against phased budget. The final outturn reports, summarising performance against budget for 2012/13 did not include a breakdown of progress against the Council's savings target, although SLT did receive regular updates.</p> <p>Financial information is not presented on a timely basis and is often reported to SLT two months after the period end and to Cabinet up to three months after the period end.</p>	 <b>Amber</b>
<b>Adequacy of other Committee/ Cabinet Reporting</b>	<p>Operational performance is reported through six performance scorecards. These detailed scorecards go to Cabinet quarterly, but Cabinet receives no formal reports in between. The reports are lengthy and it is not easy to see how the Council is performing in key strategic areas.</p> <p>Also, because the Council does not have an agreed Strategic Plan the performance indicators may not be measuring the right things, at a strategic level. They do not allow progress towards the achievement of strategic objectives to be readily observed so that risk areas that need to be addressed can be identified. We are aware that the Council is reviewing its performance reporting and has changed its performance scorecards, but at present the Mayor has no systematic, formal means of knowing how well the Council is working to support the delivery of his manifesto commitments.</p>	 <b>Amber</b>

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# Financial Control

## **Key characteristics of effective financial control**

In conducting our review of financial control we have assessed the Council's performance against the following indicators:

### **Budget setting and budget monitoring**

- Budgets are robust and prepared in a timely fashion.
- Budgets are monitored at an officer, member and Cabinet level and officers are held accountable for budgetary performance.
- Financial forecasting is well-developed and forecasts are subject to regular review.

### **Savings Plans**

- Processes for identifying, delivering and monitoring savings plan schemes are robust, well thought through and effective.

### **Financial Systems**

- Key financial systems have received satisfactory reports from internal and external audit.
- Financial systems are adequate for future needs.

### **Finance Department**




- The capacity and capability of the Finance Department is fit for purpose.

### **Internal Control**

- There is an effective internal audit which has the proper profile within the organisation. Agreed Internal Audit recommendations are routinely implemented in a timely manner.
- There is an assurance framework in place which is used effectively by the Council and business risks are managed and controlled.





# Financial Control (continued)

## Internal arrangements

Area of focus	Summary observations	Assessment
<b>Budget setting and monitoring - revenue and capital</b>	<p>The 2012/13 budget was agreed in February, following detailed scrutiny and public consultation. Both the Directorates and SLT monitored performance against the agreed budget.</p> <p>The capital monitor report identified the increase in slippage during the year and the need to improve arrangements going forward so that the amount of slippage is reduced.</p> <p>Where performance dips, SLT holds the Directorates to account and requires further action to be taken, although in 2012/13 and for the last two years the Council has begun the year by reporting forecast overspends across the Directorates, which have reduced during the year to an underspend. We are concerned that this approach takes an overly pessimistic view and may prevent effective scrutiny and the appropriate corrective action.</p>	 <b>Amber</b>
<b>Performance against Savings Plans</b>	<p>The Council has consistently achieved its savings target and delivered savings of £24.8m in May 2013. However, this has been achieved by bringing forward savings planned for 2013/14, by finding alternative savings plans and a range of underspends.</p> <p>Performance against the 2012/13 savings plans has not been reported to Members and is only reported to SLT.</p> <p>The Council approach is to identify savings to meet the funding requirements of the budget. Additional savings are not identified at the beginning of the year, but when slippage occurs or savings are not achieved.</p>	 <b>Amber</b>
<b>Key Financial Accounting Systems</b>	<p>The finance system used in 2012/13 was CFS. This system did not meet a large unitary council's information requirements and internal control needs. In response to this the Council has replaced its financial systems with Agresso Business World (ABW) which went live on 1 April 2013.</p> <p>Internal Audit reported in 2011/12 that the proportion of financial systems demonstrating unsatisfactory levels of control was unacceptable. Some work on these systems has been undertaken but insufficient to enable Internal Audit to conclude that adequate controls are now in place. As a consequence the Internal Audit opinion for 2012/13 was reported for the second year as 'Needs Improvement' with a level of risk to the Council 'of Concern'.</p> <p>In addition we have reported that the Council should ensure recommendations raised by Internal and External Audit are acted upon on a timely basis.</p>	 <b>Amber</b>

# Financial Control (continued)

## Internal and external assurances

Area of focus	Summary observations	Assessment
<b>Finance Department Resourcing</b>	<p>The Council has reviewed the structure and resource requirements of its finance function. As a result there has been an overall reduction in agreed establishment. This has resulted in new employees as well as a number of changes internally. Interim arrangements have been introduced to oversee the completion of the accounts and implementation of the new financial system.</p>	 <b>Green</b>
<b>Internal audit arrangements</b>	<p>Internal Audit has adopted a risk based approach and the plans have to be approved by the Audit Committee annually.</p>	 <b>Green</b>
<b>External audit arrangements</b>	<p>We concluded that the financial statements gave a true and fair view of the Council's financial position and concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p>	 <b>Green</b>
<b>Assurance framework/risk management</b>	<p>The Council has an agreed risk management strategy and both Directorate and a corporate risk registers are maintained and reviewed by the Audit Committee.</p> <p>As part of our review of Governance arrangements we found that limited time is given to assessing and monitoring risks, at a corporate level. Feedback suggested that the Council is not proactive in identifying and managing high level risks and that a thorough assessment of risks is not always undertaken and reported before decisions are taken. We recommended that risks should be properly assessed as part of the decision-making process, at a strategic level.</p> <p>Internal Audit has identified risk management as a high risk area and plans to review arrangements in 2013/14.</p>	 <b>Amber</b>

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# Key Indicators of Financial Performance

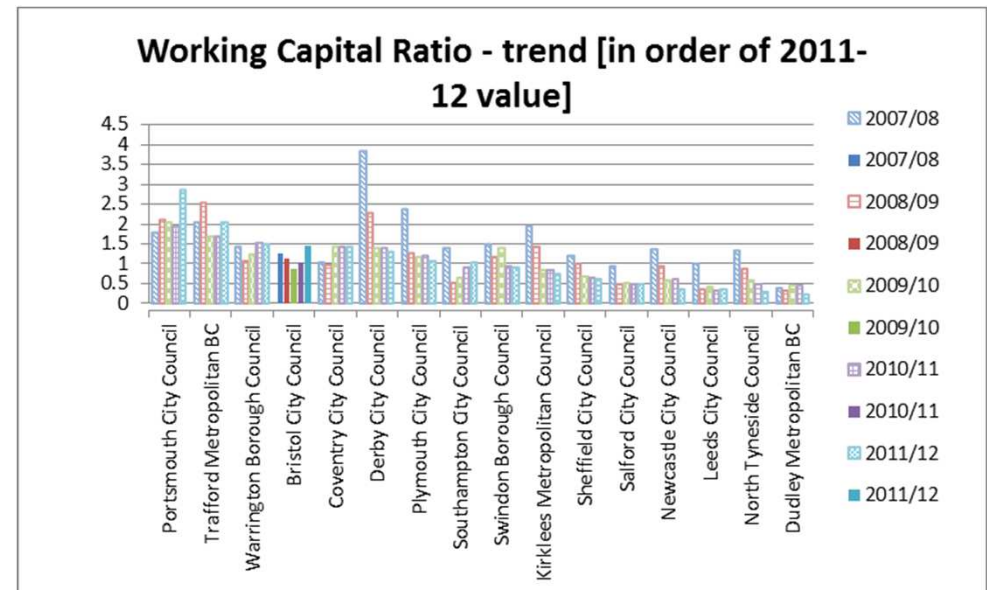
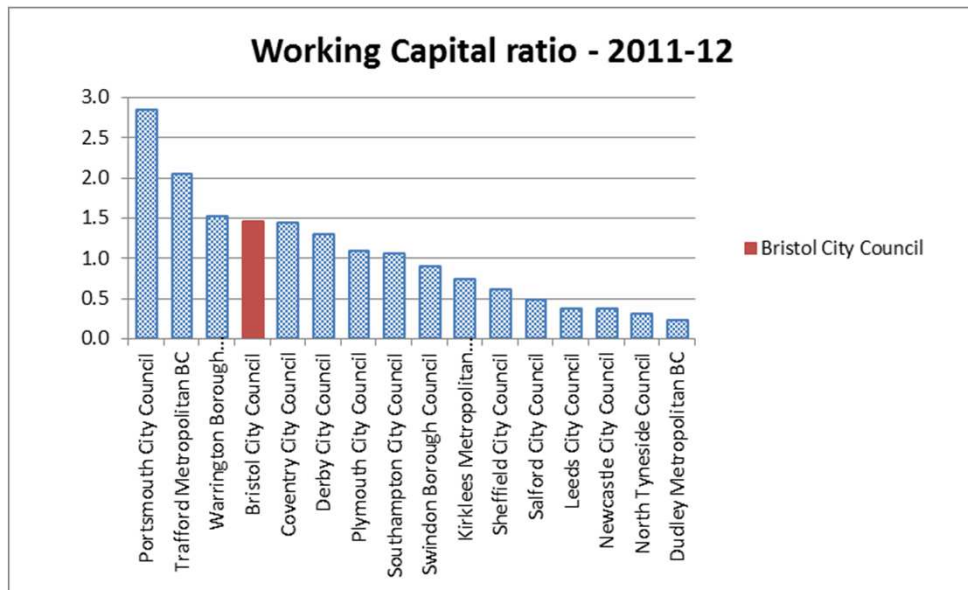
## Working Capital – Benchmarked

### Definition

The working capital ratio indicates if an authority has enough current assets, or resources, to cover its immediate liabilities – ie those to be met over the next twelve months. A ratio of 2:1 is usually considered to be acceptable, whilst a ratio of less than one – ie current liabilities exceed current assets – indicates potential liquidity problems.

### Findings

Bristol City's working capital ratio for 2011/12 was 1.46:1 – below the 2:1 level but having recovered from being below 1:1 to its highest level in the last 5 years. Compared to its neighbour group, however, the Council has the 4<sup>th</sup> best ratio, with only one council having a ratio that is above the 2:1 level and 8 falling below the 1:1 level. Working capital will come under increasing pressure and will need to be carefully monitored.



Source: Audit Commission's Technical Directory

# Key Indicators of Financial Performance

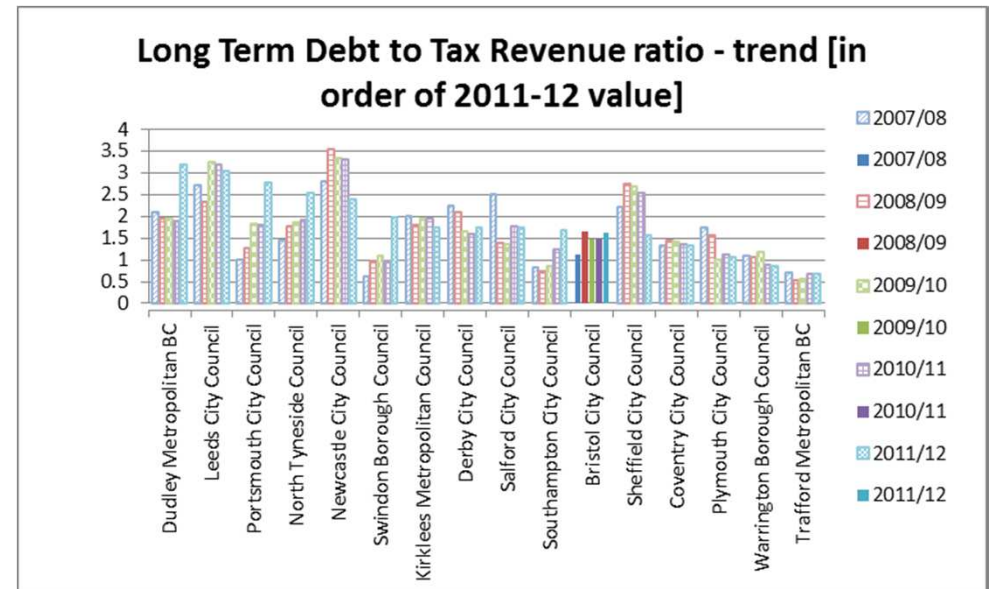
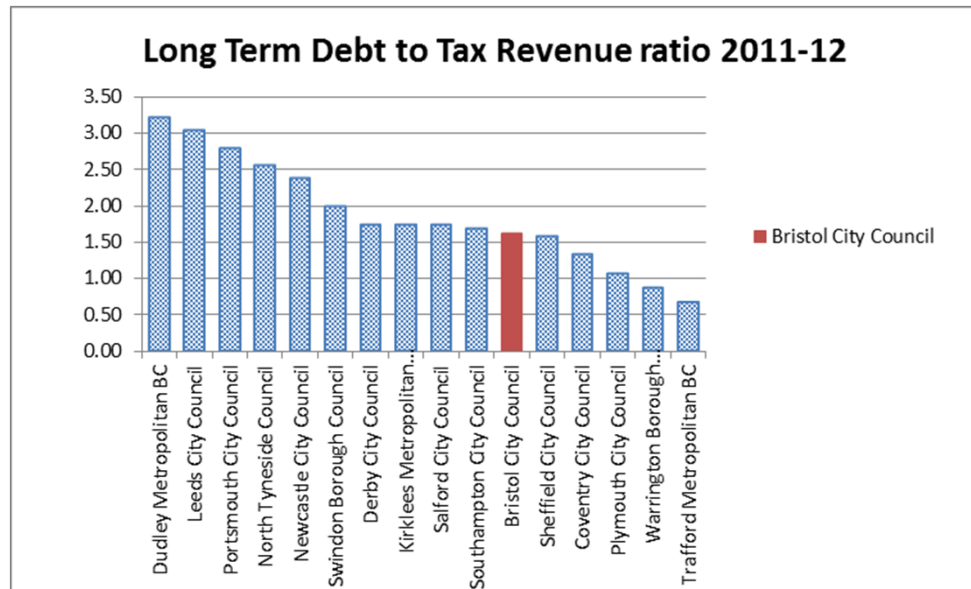
## Long Term Borrowing to Tax Revenue – Benchmarked

### Definition

This ratio shows long term borrowing as a share of tax revenue. A ratio of more than one means that long term borrowing exceeds council tax revenue.

### Findings

In 2011/12 Bristol's ratio was 1.63, indicating that it has long term borrowing which considerably exceeds tax revenue. However among its neighbourhood peer group Bristol is among those with lower ratios. The trend graph shows that in several cases in the peer group the ratio has fluctuated wildly, but Bristol has, like most others, maintained a relatively consistent figure.



Source: Audit Commission's Technical Directory

# Key Indicators of Financial Performance

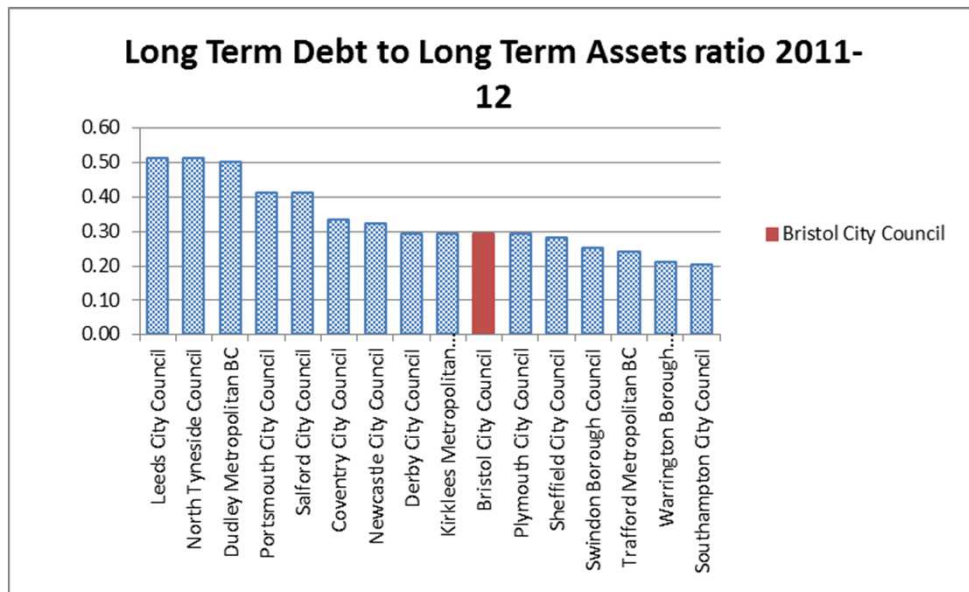
## Long-term borrowing to Long-term assets – Benchmarked

### Definition

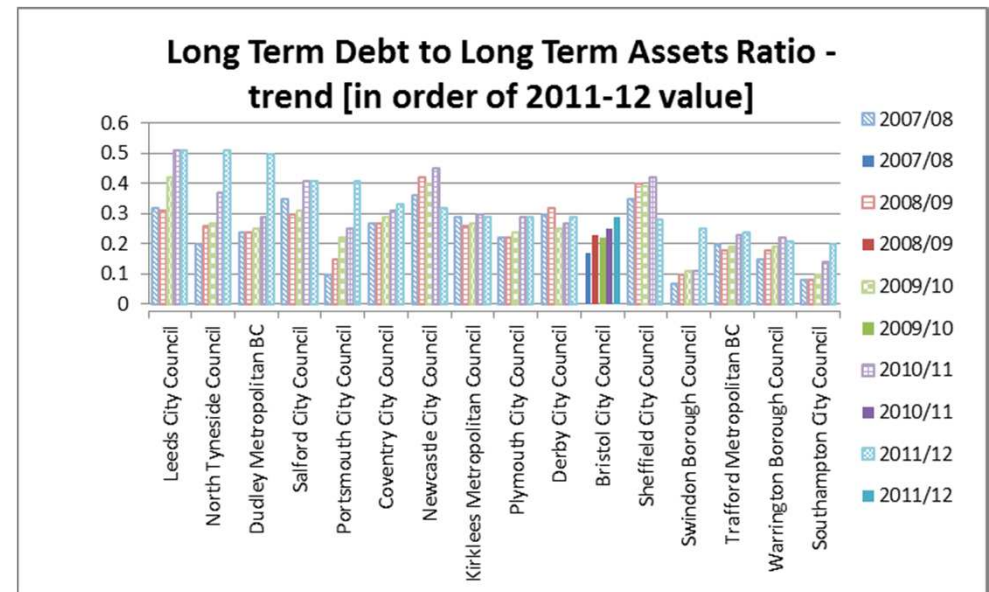
This ratio shows long term borrowing as a share of long term assets. A ratio of more than one means that long term borrowing exceeds the value of long term assets.

### Findings

Bristol's 2011/12 ratio of 0.29 marks the 3<sup>rd</sup> year in succession where the ratio has increased (the 2007/08 value was 0.17, so the ratio has nearly doubled over the period). Such an increase is clearly a trend in the neighbourhood peer group, though the council remains among those with relatively small numbers.



Source: Audit Commission's Technical Directory

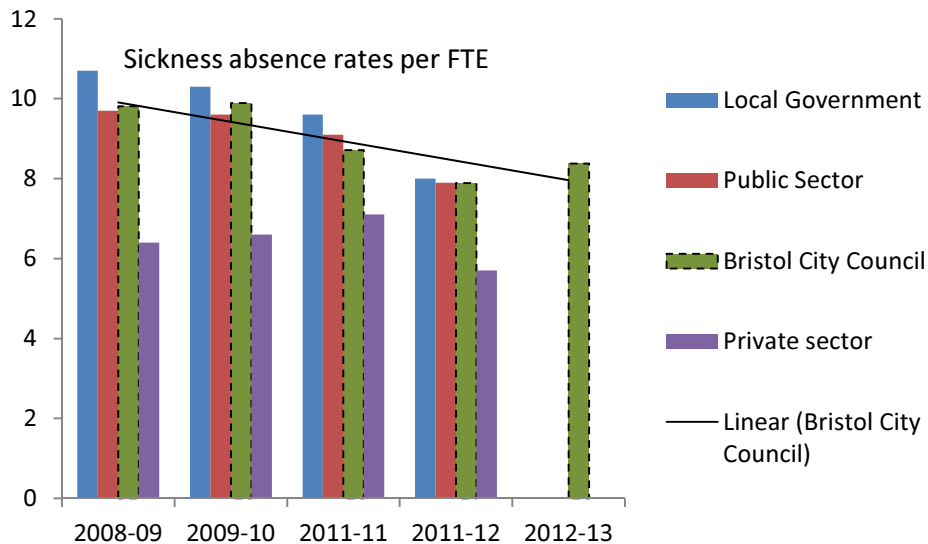


# Key Indicators of Financial Performance

## Sickness Absence Levels

### Background

The average sickness absence level in 2011/12 for the public sector was 7.9 days per FTE, whilst the private sector average was 5.7. Many councils have taken a proactive approach to reducing the number of days lost to sickness each year. Costs that accrue from sickness absence relate to the hiring of agency staff to cover staff gaps, or from holding a larger workforce complement than is desirable. Absence also damages service levels either through staff shortage or lack of continuity. Reducing absenteeism saves money, improves productivity and can have a positive customer benefit. Absence management will be a particular challenge for all authorities during SR10, given the context of significant pressures on staff to deliver "more for less".



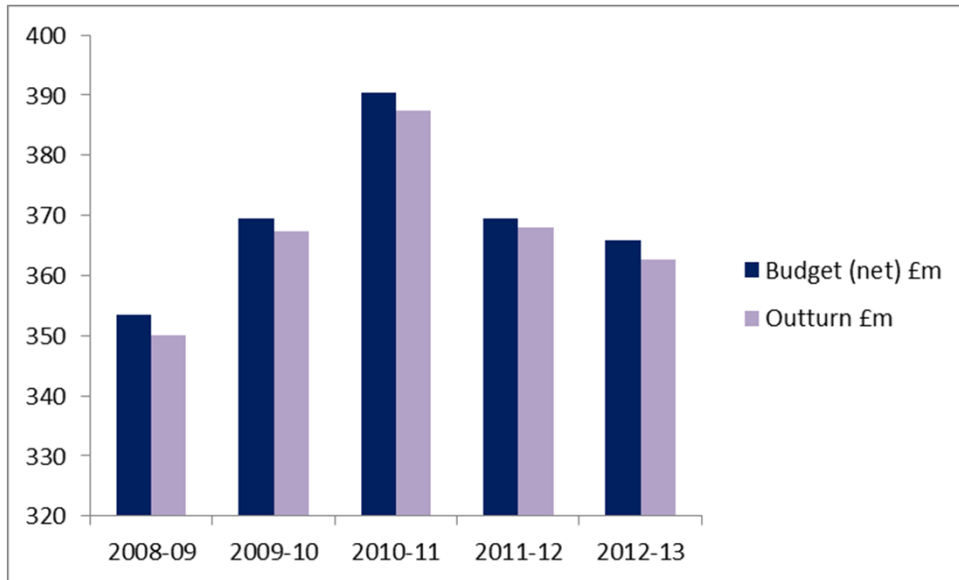
### Findings

The chart opposite indicates that the overall trend for the Council is a reduction in sickness absence rates, although the rate has increased in 2012/13. The Council's recorded sickness absence rate of 8.38 days per FTE in 2012/13 is well above its target of 7.5 days.

Source: Bristol City Council

# Key Indicators of Financial Performance

## Performance Against Revenue Budget: Track Record



Source: Cabinet Outturn Reports Bristol City Council

## Findings

The Council has a track record of ensuring net outturn is below budget. It delivered an underspend of £3.1m for 2012/13, compared to £1.7m in 2011/12.

# Key Indicators of Financial Performance

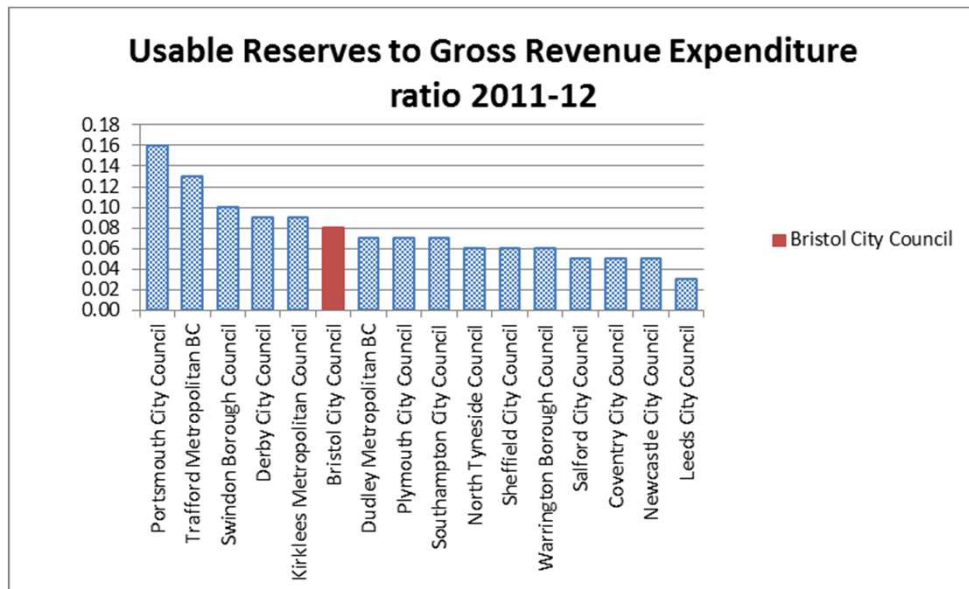
## Useable Reserves – Benchmarked

### Definition

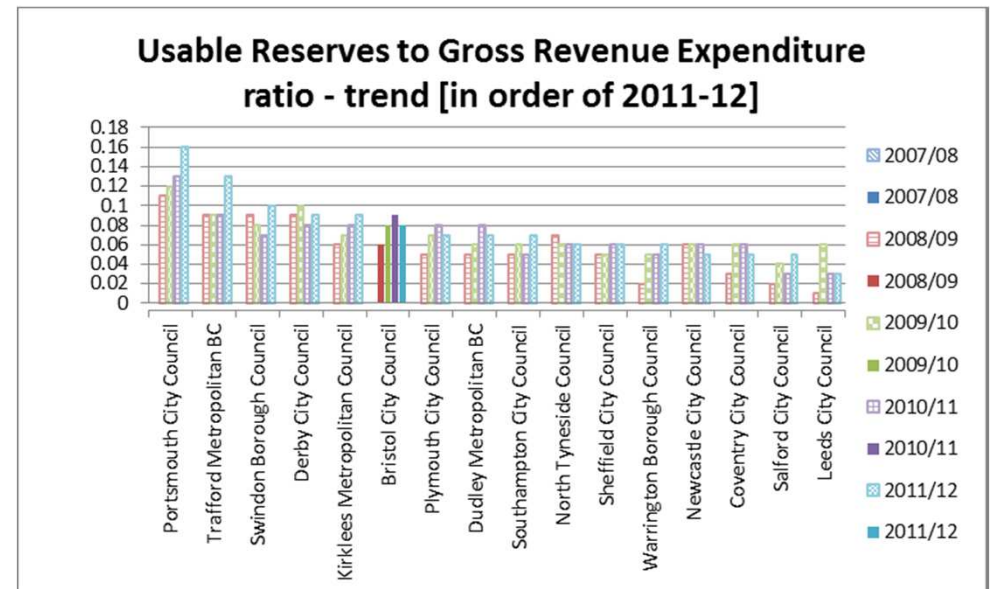
This shows useable capital and revenue reserves as a share of expenditure. A ratio of one means the total reserves matches the level of expenditure.

### Findings

From 2007/08 to 2010/11 the ratio for Bristol's useable reserves increases each year, dropping slightly in 2011/12 to 0.08– placing it sixth among its neighbours. Eight of those neighbours have increased their ratio in the last year.



Source: Audit Commission's Technical Directory





# Key Indicators of Financial Performance

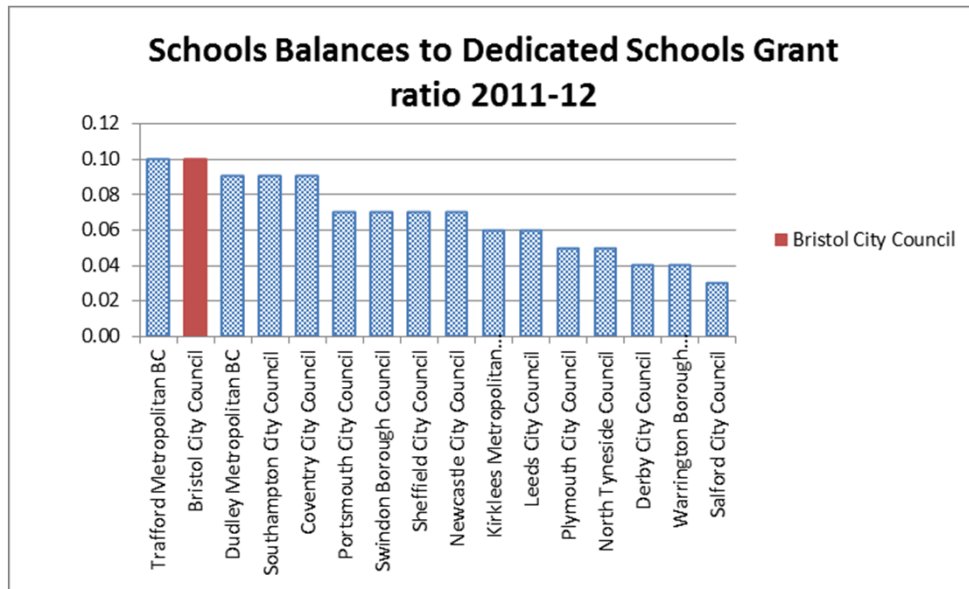
## Schools balances to DSG allocation – Benchmarked

### Definition

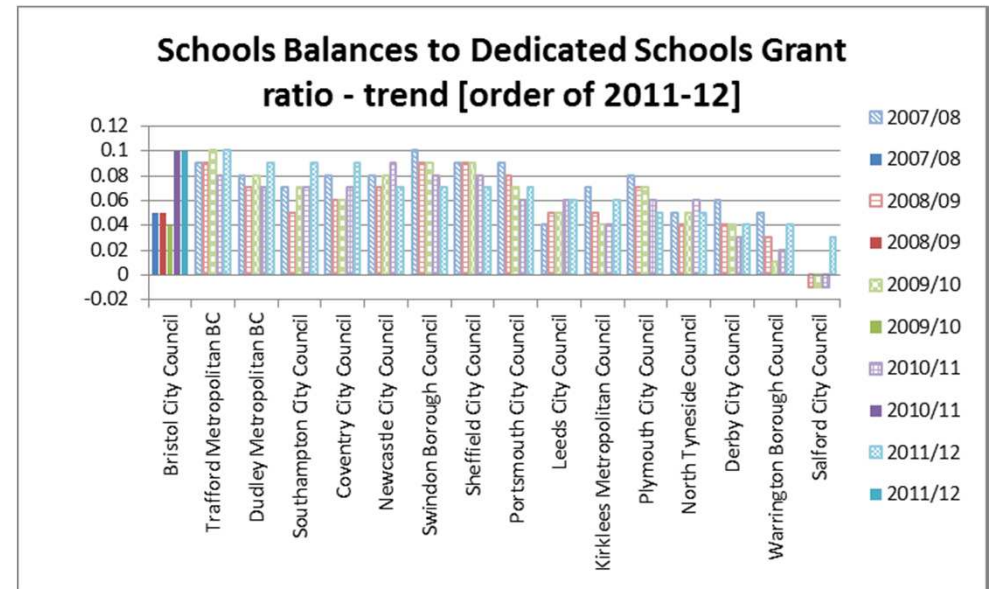
This shows the share of schools balances in relation to the total DSG allocation received for the year. For example a ratio of 0.02 means that 2 per cent of the total DSG allocation remained unspent at the end of the year.

### Findings

Bristol's ratio of 0.10 for 2011/12, though unchanged following the 100% jump in the previous year, remains equal highest in its neighbourhood peer group. The trend for the group is that those that now have the largest ratios tend to be on an upward trend, whereas those with the lower ratios tend to be on a downward trend.



Source: Audit Commission's Technical Directory





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# Value for Money Conclusion follow-up of recommendations for Bristol City Council

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**2012/13**

September 2013 Final

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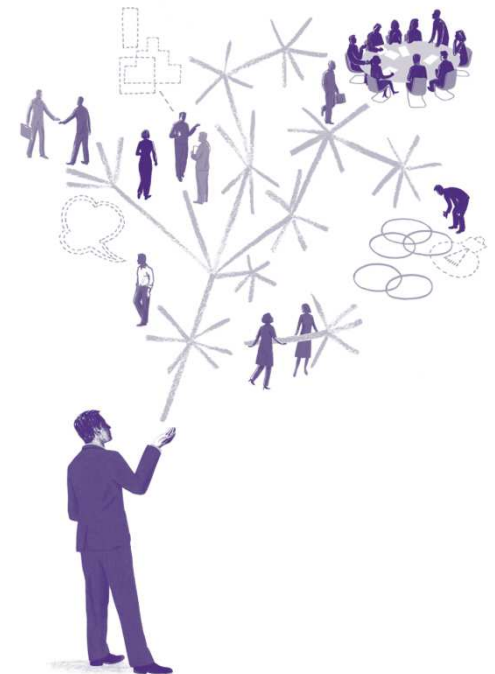
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 1. Our audit approach

## **Introduction and background**

During our 2011/12 audit, we completed a number of detailed reviews to support our Value for Money (VfM) conclusion, as well as a report which assessed the progress made against VfM recommendations raised in previous years.

This report documents the progress made against the VfM recommendations raised in 2011/12. It excludes those raised in the 2011/12 Financial Resilience as these have been addressed separately in the 2012/13 Financial Resilience Report.

Where further progress is required, we have either repeated the original recommendation or revised the recommendation to reflect current arrangements and circumstances. We have consolidated all our remaining or revised recommendations where further work is needed by the Council in Section 6 of this report.

In summary this report includes the following:

Section 2 - recommendations raised in the 2011/12 VfM conclusion follow-up report

Section 3 – progress made against the recommendation relating to Asset Management Arrangements.

Section 4 - Progress to date on recommendations made in our 2011/12 review of the Council's VfM strategy.

Section 5 – progress to date on the recommendations raised in our 2011/12 review of the Council Change Portfolio.

Section 6 – Action Plan.

## **Code of Audit Practice**

Under the Code of Audit Practice, we are responsible for issuing a conclusion on whether we are satisfied the audited body has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Our VfM conclusion for 2012/3 will be informed, in part, by the findings within this report.

## **Acknowledgements**

We carried out this work through discussions with Council officers, and by reviewing key documentation. We would like to record our appreciation for the assistance and co-operation provided to us during our work.

## **Conclusion**

The findings within this report illustrate that the Council needs to improve the:

- overall timeliness of actions and implementation; and
- arrangements for monitoring implementation of action.

## 2. Recommendations raised in the 2011/12 Grant Thornton VfM Conclusion Follow-up of Recommendations report

<b>Recommendation</b> <i>Management comment</i> <i>Target date</i>	<b>Priority</b>	<b>Progress to date</b>	<b>Recommendation</b>
<p><b>1</b> The Council should introduce formal arrangements to ensure recommendations from external bodies are addressed.</p> <p><i>A protocol between Grant Thornton and the Council is being developed. This document will clearly set out the responsibilities for both sides to respond and follow-up recommendations and will be presented to the Audit Committee in November 2012.</i></p> <p><b>March 2012 revised to November 2012</b></p>	<p>H</p>	<p>The protocol between Grant Thornton and the Council has been finalised, and was agreed by the Audit Committee on 19 April 2013.</p> <p>It was signed as agreed by both parties in June 2013.</p>	<p>No further action</p>
<p><b>2</b> The Council should ensure its new approach to commissioning delivers clear outcomes and benefits.</p> <p><b>September 2012</b></p>	<p>M</p>	<p>In July 2012 the Council developed its council wide target operating model (TOM). The TOM set out the requirement to identify the right outcomes, services and providers required in a future council. This included ensuring that the commissioning framework is consistently adhered to and commissioning processes are fit for purpose. However it was recognised that this could not be done without some related organisational changes.</p> <p>In order to achieve this organisational change the Council is in the process of introducing a cross-cutting Right Outcomes, Service and Provider (ROSP) Programme (previously called the Strategic Commissioning Programme).</p> <p>The Programme scope and outline business case have been formally approved by the ROSP Programme Board, Portfolio Management Group and Strategic Leadership Team. Work is currently underway to develop the Blueprint and Full Business Case. Work is also underway to develop a review toolkit and methodology that will be applied to all service areas to assess what outcomes/benefits we should be focussing on, what future services should look like and who the future service providers should be.</p> <p>These arrangements should ensure that commissioning delivers clear outcomes and benefits.</p>	<p>No further action</p>

## 2. Recommendations raised in the 2011/12 Grant Thornton VfM Conclusion Follow-up of Recommendations report (continued)

	<b>Recommendation</b> <i>Management comment</i> <i>Target date</i>	<b>Priority</b>	<b>Progress to date</b>	<b>Recommendation</b>
<b>3</b>	<p>The Council's HR service should continue to work with service managers to address individual employees' under performance.</p> <p><i>December 2012</i></p>	M	<p>The Council is in the process of introducing a new set of HR metrics that are reported to the Strategic Leadership Team on a monthly basis through the HR dashboard. This information will help to address under performance and identify areas for improvement.</p> <p>In addition the Performance Management Development System (PMDS) has been reviewed and the scoring methodology has been improved. The main change was to make the system easier to use and to enable managers to more effectively rate and assess employees' performance.</p> <p>However, it should be noted that the percentage of eligible staff with a PMDS has reduced from 94.4% in 2011/12 to 85.8% in 2012/13. This issue is discussed further within our review of Financial Resilience and a recommendation has been raised within this report.</p> <p>The Council has also introduced an organisational resilience grid to map employees' performance. The intention is to roll this out across the Council beginning with senior officer.</p>	No further action
<b>4</b>	<p>The Council should update its procurement guidance to ensure it addresses arrangements for joint authority capital projects, including the possibility of risk sharing and transfer.</p> <p><i>The procurement regulations will be reviewed as part of a new scheme of delegation with the new Mayor.</i></p> <p><i>January 2013</i></p>	H	<p>The Council is currently updating its procurement manual and this recommendation remains outstanding.</p>	<p>The Council should update its procurement guidance to ensure it addresses arrangements for joint authority capital projects, including the possibility of risk sharing and transfer.</p>

## 2. Recommendations raised in the 2011/12 Grant Thornton VfM Conclusion Follow-up of Recommendations report (continued)

	<b>Recommendation</b> <i>Management comment</i> <i>Target date</i>	<b>Priority</b>	<b>Progress to date</b>	<b>Recommendation</b>
<b>5</b>	<p>The Council should expand its financial regulations to cover:</p> <ul style="list-style-type: none"> <li>• situations where there are partnership or joint working schemes;</li> <li>• changing risk assessments; and</li> <li>• the need for member approval at different project phases.</li> </ul> <p><i>Financial Regulations have been amended to incorporate the first two bullet points.</i></p> <p><i>Third bullet point – not agreed as Members can only approve items through formal Cabinet meetings. Project gateway reviews are delegated to officers and approved by SODB (Strategic Options Delivery Board). Unless the scheme of delegation is changed it is not yet practical to address this point.</i></p> <p><b>Points one and two - complete</b></p>	H	<p>The financial regulations were updated to reflect partnerships or joint working and changing risk assessments.</p> <p>The Council did not agree that Member approval should be sought at different phases of a project. As Members can only approve items through formal Cabinet meetings. Project gateway reviews are delegated to officers and approved by SODB (Strategic Options Delivery Board). Unless the scheme of delegation is changed it is not yet practical to address this point.</p>	No further action
<b>6</b>	<p>The Council should routinely use Gateway 5 to document and demonstrate the benefits generated from each of its major capital projects.</p> <p><i>This is being addressed through ensuring early stages of projects emphasise the importance of benefit realisation management and following this through at each stage and Gateway Review for the project.</i></p> <p><b>August 2012</b></p>	M	<p>To date the normal progress of projects has only resulted in there being a requirement for one Gateway Review.</p> <p>A schedule of reviews is taken to the Strategic Investment Board on a regular basis for approval and further Gateway Reviews will come forward at the appropriate time.</p>	No further action

## 2. Recommendations raised in the 2011/12 Grant Thornton VfM Conclusion Follow-up of Recommendations report (continued)

	<b>Recommendation</b> <i>Management comment</i> <i>Target date</i>	<b>Priority</b>	<b>Progress to date</b>	<b>Recommendation</b>
<b>7</b>	<p>The Corporate Plan and SLT should determine what appears on the performance reports and for how long.</p> <p><i>Both senior management and Members have now approved Outcome Performance Reports (OPRs) based on the priority outcomes published in the medium term financial plan. The first set of live reports was considered by SLT on the 24 August and was approved for early release to Members via email and publication on the Council's Website. This process ensures that Members are provided with performance information as soon as it is available. OPRs will be reviewed for content every quarter and revised as required.</i></p> <p><b>On-going</b></p>	H	<p>An Outcome Performance Reports system was introduced in 2012/13. This system is based on Corporate Plan priority outcomes as published in the medium term financial plan and a report is published on each of the 6 outcomes.</p> <p>The reports are agreed by Senior Leadership Team (SLT) and then reviewed by the Resources and Scrutiny Commission, followed by Cabinet.</p> <p>Currently performance reporting for 2013/14 is being developed and changed in line with the Mayor's requirements.</p>	No further action
<b>8</b>	<p>Responsible officers need to demonstrate that indicators of staff performance and productivity reported through the sixth 'outcome' are SMART and enable progress to be performance managed.</p> <p><i>Performance indicators which reflect the progress to achieving outcome 6 are still under consideration. The work underway within the People Programme will provide a better understanding of how this outcome can be measured and progress to achieving the measure clearly demonstrated. People Programme is on-going.</i></p> <p><b>31 March 2013</b></p>	M	<p>This recommendation was raised in our review of corporate performance reporting in 2010/11.</p> <p>In 2012 the Council identified staff productivity as the sixth corporate priority and as a result began work on an outline business case. A full business is now in place and has been agreed by the SLT.</p> <p>In 2013 new and improved management reporting arrangements were introduced and as a result a quarterly outcome report is produced and reported to SLT. In addition a HR dashboard is being developed and performance metrics are being developed and rolled out across the Council. These arrangements should ensure that SMART objectives are in place to enable the performance of employees to be effectively managed.</p>	No further action



## 2. Recommendations raised in the 2011/12 Grant Thornton VfM Conclusion Follow-up of Recommendations report (continued)

	<b>Recommendation</b> <i>Management comment</i> <i>Target date</i>	<b>Priority</b>	<b>Progress to date</b>	<b>Recommendation</b>
<b>9</b>	<p>To reduce the incidence of avoidable mistakes in presentation, more attention needs to be given to checking and signing off data before it is presented and published.</p> <p><i>Data quality audits are completed by Directorate Performance Leads to ensure the accuracy of information. Additionally, during the early stages of implementing the new OPR format, quality will be checked by CPIT and will be for at least the next 2 quarterly reports. After that a sample checking mechanism will be introduced.</i></p> <p><b>On-going.</b></p>	H	<p>Although the Council has a process to complete data quality audits from time to time these audit has not addressed the information recorded on the Directorate score cards. Therefore we consider that this recommendation remains outstanding.</p> <p>This recommendation should be considered and addressed whilst the Council reviews its performance management and management information requirements.</p>	<p>More attention should be given to checking and signing off data before it is presented and published.</p>
<b>10</b>	<p>Systems analysis should be carried out to see if the time to present summary performance information from available data can be reduced.</p> <p><i>Revised OPR process has streamlined the reporting process and it is envisaged that once the performance leads become familiar with the reports that production time will reduce. This reduction will however take time. The time taken for each quarterly report for the next 2 quarters will be monitored in order to show a clear trend and confirm whether the process has achieved greater efficiency.</i></p> <p><b>31 March 2013</b></p>	M	<p>For 2012/13 we reviewed when the quarterly outcome reports are reported to SLT, presented to the Resources and Scrutiny Commission, and Cabinet.</p> <p>This established that information is not presented on a timely basis and is often reported to Cabinet up to three months after the period end and SLT two months after the period end.</p>	<p>The Council should review its systems to ensure more timely information is presented to SLT and Members.</p>

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### 3. Review of Asset Management Arrangements

Eight recommendations were raised in 2010/11. Progress has begun on these recommendations but remains incomplete. Progress towards these recommendations did not begin until the Service Director – Strategic Property was appointed at the end of November 2012.

The recommendations listed below have been consolidated into recommendations 10,11 and 12 in the action plan.

1. The Council should agree a mechanism for the development of a corporate approach to asset management, which is coherent and consistent across the Council, allowing for strong robust arrangements for effective corporate oversight of the full asset base. This mechanism should include steps for identifying good practice in asset management and applying this across the Council's full asset base.

This could be achieved by either:

- a single Corporate Property Division which has responsibility for and manages the Council's entire asset base; or
- the current structure is maintained but robust mechanisms are rolled out across all divisions with responsibility for property to ensure that the approach to asset management is consistent and coherent across the Council.

2. The Council should ensure that the existing asset base is reviewed and challenged at Directorate level and across Directorates, to ensure a high-level, corporate and council-wide view is always considered.  
This challenge and review should be carried out by Officers and Members.
3. The Council should implement processes to ensure asset management across the Council is clearly linked to Corporate and Directorate Objectives. These processes should enable VfM to be considered and obtained from across whole asset base.
4. The Council should continue to work with others, both public, voluntary and private bodies to improve VfM across the Council's asset base.
5. The Council should review the current arrangements to ensure that:
  - there is a corporately determined, consistent and risk based approach to identifying and recording asset and stock conditions; and
  - the condition of all assets and stock is accurately and routinely recorded in the central asset register.
6. The Council should introduce a consistent approach to improve asset management performance across the Council.
7. Mechanisms should be introduced within the Council to gather feedback at a Corporate level, once corporate systems have been introduced.
8. A reporting mechanism for performance within asset management should be developed and implemented. There should be clear reporting structures and actions identified to drive performance forward.

## 4. Implementing the Value for Money Strategy

	<b>Recommendation</b> <i>Management comment</i> <i>Target date</i>	<b>Priority</b>	<b>Progress to date</b>	<b>Recommendation</b>
<b>1</b>	<p>More timely follow-up of recommendations should be completed in order to encourage managers to address recommendations by their target date.</p> <p><i>These recommendations will be followed up via the implementation of the new Corporate Performance Management Framework and Strategy, effective for the 2012/13 business year.</i></p> <p><b>On-going</b></p>	M	<p>The Council's Senior Leadership are taking forward this initiative.</p> <p>We consider that the timely completion of recommendations remains an issue for the Council and has been compounded by the changes within the Strategic Leadership Team.</p>	The Council should ensure that recommendations raised by External and Internal Audit are completed within the timescale agreed.
<b>2</b>	<p>Clear statements are needed about the future division of responsibility, in relation to VfM strategy implementation, between staff working in CPIT and staff working in Directorates.</p>	H	<p>These recommendations have not been implemented.</p> <p>The Council did not action them within the agreed timescale.</p>	No further action
<b>3</b>	<p>The corporate performance monitoring should be strengthened to ensure better consistency and compliance with the Council's VfM strategy. This should include:</p> <ul style="list-style-type: none"> <li>• clear leadership of what is expected and by when;</li> <li>• regular monitoring of compliance;</li> <li>• prompt action taken to address non-compliance, with officers held accountable; and</li> <li>• quarterly reporting to the Resources and Scrutiny Commission.</li> </ul>		<p>The Council has confirmed that it considers its VfM strategy is more reflective of guidance to Service Managers than a strategy and that the approach to VfM should be embedded within existing management arrangements.</p>	

## 4. Implementing the Value for Money Strategy (continued)

	<b>Recommendation</b> <i>Management comment</i> <i>Target date</i>	<b>Priority</b>	<b>Progress to date</b>	<b>Recommendation</b>
4	The Council should ensure that the VfM Strategy is not complied with in isolation, and is viewed as part of the management processes within Directorates.	H	These recommendations have not been implemented.	No further action
6	The VfM performance measures should be SMART to enable progress to be effectively monitored and reported.	H	The Council did not action them within the agreed timescale.	
7	The self-assessment should aim to consider all aspects of a service, such as in-house and commissioned services, but managers should give their reasons if they decide to exclude specific service elements.	H	The Council has confirmed that it considers its VfM strategy is more reflective of guidance to Service Managers than a strategy and that the approach to VfM should be embedded within existing management arrangements.	
8	The self-assessment should include appropriate comparisons between authorities to enable VfM priority improvement areas to be identified, and where necessary more support and guidance should be provided corporately to enable this.	H		
9	The self-assessment should describe the main changes and improvements taking place within a service, and should contain sufficient detail to enable VfM priorities to be understood from reading the self-assessment without the need to access extensive supporting files and documentation.	M		
10	The Council should consider if 'invest to save' initiatives should be incorporated within the VfM strategy.	M		
5	The Council should keep under review how it maintains the independence of Internal Audit, in line with the CIPFA Code of Practice for Internal Audit 2006, if it remains responsible for the CPIT Team.	M	The Corporate Performance Improvement Team (CPIT) is no longer the responsibility of the Chief Internal Auditor. Responsibility for the team has been moved to the Executive Office.	No further action

## 5. Review of Bristol's Change Portfolio

### Introduction and background

In both 2010/11 and 2011/12, we completed a review of Bristol's business change portfolio and concluded that *the Council has yet to demonstrate that significant savings can be delivered through the change portfolio.*

This section summarises our findings and the progress made against the recommendation made in 2011/12.

The Council introduced the change portfolio in 2008/9 and was agreed as the main way in which the Council intends to deliver its planned savings. The portfolio has developed in three parts:

1. 2008 to 2011 - change portfolio began, large amount of tactical change
2. 2011 to 2013 – some tactical change with introduction of more intelligent design-lead change
3. 2013 onwards – the emergence of a mature change portfolio with cross cutting savings with significant benefits expected from 2013/14.

### Change portfolio – cost and savings

Last year the Council forecast cumulative net savings of £26.2m would be delivered in 2012/13, this has reduced to £25.5m. In addition in 2011/12 the Council anticipated delivering cumulative net savings in 2015/16 in the region of £236m.

Programs & Support Services	2008-09 £'000	2009-10 £'000	2010-11 £'000	2011-12 £'000	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000
Costs July 2013	2,525	9,425	4,696	22,360	16,716	61,455	34,820	18,869
Cumulative Costs	2,525	11,950	16,646	39,006	55,722	117,177	151,997	170,866
Savings July 2013	(11)	(4,130)	(10,749)	(19,316)	(46,977)	(66,829)	(92,444)	(112,822)
Net Savings July 2013	2,514	5,295	(6,053)	3,044	(30,261)	(5,374)	(57,624)	(93,953)
Cumulative Net Savings	2,514	7,809	1,756	4,800	<b>(25,461)</b>	(30,835)	(88,459)	<b>(182,412)</b>

These changes are as a result of an increase in spend, following the purchase of Temple Street as part of the Bristol Workplace Programme and the inclusion of the Extra Care Housing project within Health and Social Care. Together these two initiatives account for additional expenditure in the region of £39m and do not achieve any benefits/savings for a number of years.

### 2012/13 planned savings

For 2012/13 the Council reported savings to SLT of £24.8m in line with its planned target. This was achieved through identification of alternative savings and the use of non-recurrent savings. The change portfolio delivered 42% of the total savings in 2012/13, in comparison to 18% in 2011/12.

### Progress on recommendations raised in 2011/12

Pages 14 to 17 summarise the progress made to date and identify that 5 recommendations remain outstanding.

### Conclusions

The contribution made to the savings target by the change portfolio has increased, but has yet to deliver significant savings.

# Review of Bristol's Change Portfolio

	<b>Recommendation</b> <i>Management comment</i> <i>Target date</i>	<b>Priority</b>	<b>Progress to date</b>	<b>Recommendation</b>
<b>1</b>	<p>The Council should review the role and capacity of the Portfolio Management Group to ensure arrangements are appropriate and effective.</p> <p><i>The overall change governance arrangements are currently being reviewed by SODB. This will include the Portfolio Management Group role and membership and its relationship with other parts of the governance structure.</i></p> <p><b>November 2012</b></p>	H	<p>The governance arrangements were revised again in November 2012. The Portfolio Management Group has been replaced by the Portfolio Delivery Team with tier two officers identified as the Senior Responsible Officers. As a result SLT members are no longer taking the role of "Senior Responsible Officers "and SLT has taken a more strategic role.</p>	No further action
<b>2</b>	<p>The Council should review the role of Members in the current governance arrangements.</p> <p><i>The Deputy Leader who is the executive member responsible for the business change programme receives briefings every month. This information will also be sent to Resources Scrutiny Commission Members to ensure there is ongoing and regular member oversight of the programme.</i></p> <p><b>Ongoing</b></p>	H	<p>The Deputy Mayor is the Executive lead for business change.</p> <p>SLT is the decision making body and approves the business cases for each programme.</p> <p>Member involvement remains limited and we consider that this recommendation remains outstanding.</p>	The Council should review the role of Members in the current governance arrangements.
<b>3</b>	<p>The Council should continue to review the documentation it produces to support the change portfolio, including information provided to Members.</p> <p><i>The Executive Member for Resources currently receives a briefing on the monthly SODB portfolio commentary report.</i></p> <p><i>As part of the governance review we will consider the reporting of progress and benefits delivery, including that provided to Members. This will need to be considered with the incoming Mayor's requirements.</i></p> <p><b>February 2013</b></p>	M	<p>The Council has reviewed and updated the information in place to support the portfolio programme.</p>	No further action

## Review of Bristol's Change Portfolio (continued)

	<b>Recommendation</b> <i>Management comment</i> <i>Target date</i>	<b>Priority</b>	<b>Progress to date</b>	<b>Recommendation</b>
4	<p>The Council should develop full business cases for the CYPS and HSC programmes, ensure they are kept up to date during the life of the programme and are supported by detailed risk logs.</p> <p><i>These business cases are nearing completion. We agree the need to keep the business cases up to date. Identification of risk is a key element of the business case process and we will keep updating this assessment.</i></p> <p><b>Ongoing</b></p>	H	<p>The business cases for Health and Social Care (HSC) and Children and Young People's Services (CYPS) were agreed by SLT in 2012.</p> <p>However, the business cases have not been updated in 2013.</p>	<p>The Council should ensure that business cases are kept up to date during the life of each programme and are supported by detailed risk logs.</p>
5	<p>The Council should ensure the current timeframe is realistic to achieve its planned scale of change for CYPS and HSC. It should review the key milestones in place, taking into account that significant elements of the work are still underway and the full business cases have yet to be completed and agreed.</p> <p><i>The CYPS and HSC change programmes are fundamental to the future financial sustainability of the council. A great deal of progress has been made to date which this report does not fully reflect. Clear milestones are in place and we will continue to prioritise this activity.</i></p> <p><b>Ongoing</b></p>	H	<p>The reduction in forecast cumulative net savings in 2015/16 from £236m to £182m supports this recommendation.</p> <p>This recommendation remains work in progress.</p>	<p>The Council should ensure the current timeframe is realistic to achieve its planned scale of change for CYPS and HSC. It should review the key milestones in place, taking into account that significant elements of the work are still underway and the full business cases have yet to be completed and agreed.</p>
6	<p>The Council should agree SMART non-financial objectives and outcomes for the Bristol Workplace programme.</p> <p><i>Agreed. This is an ongoing process.</i></p> <p><b>Ongoing</b></p>	H	<p>This recommendation remains outstanding.</p>	<p>The Council should agree SMART non-financial objectives and outcomes for the Bristol Workplace programme.</p>

## Review of Bristol's Change Portfolio (continued)

	<b>Recommendation</b> <i>Management comment</i> <i>Target date</i>	<b>Priority</b>	<b>Progress to date</b>	<b>Recommendation</b>
7	<p>The Council should ensure that the business case for the Bristol Workplace programme is kept up to date and supported by a current programme execution plan.</p> <p><i>The high level strategic business case has been agreed by Cabinet and work is now taking place to agree the full business case. This will have a clear focus on the execution plan.</i></p> <p><b>Ongoing</b></p>	H	The full business case has been agreed by SLT, although it has not been updated since approval in July 2012.	The Council should ensure that business cases are kept up to date.
8	<p>The Council should actively engage stakeholders in the Bristol Workplace programme by identifying and profiling the stakeholders and developing a communication plan.</p> <p><i>Agreed. See above</i></p> <p><b>March 2012</b></p>	H	This recommendation is in progress. A stakeholder analysis and communication plan is being developed.	No further action
9	<p>The Council should review the membership of the Bristol Workplace Programme Board and the role of the Senior Responsible Officer to ensure effective governance arrangements are in place.</p> <p><i>A new Senior Responsible Officer has been identified. As part of the work to develop the full business case a full review of the governance arrangements will take place.</i></p> <p><b>March 2012</b></p>	H	Following the implementation of revised governance arrangements for the change portfolio this recommendation has been addressed.	No further action



## Review of Bristol's Change Portfolio (continued)

	<b>Recommendation</b> <i>Management comment</i> <i>Target date</i>	<b>Priority</b>	<b>Progress to date</b>	<b>Recommendation</b>
10	<p>The Council should ensure all programmes are delivering SMART non-financial objectives and outcomes, which are aligned and considered alongside the outcomes for other programmes and are actively monitored.</p> <p><i>Good progress has been made in defining and tracking benefits through the adoption of benefits contracts and review of progress by the Benefits Realisation Board. It is accepted that this approach needs to be further embedded, and a greater focus on the measurement of non financial benefits is needed.</i></p> <p><b>Ongoing</b></p>	H	This recommendation remains a challenge for Council and remains outstanding.	The Council should ensure all programmes are delivering SMART non-financial objectives and outcomes, which are aligned and considered alongside the outcomes for other programmes and are actively monitored.
11	<p>The Council should ensure it monitors the effect that organisational change has on service delivery to ensure the impact on performance is understood and the risk of any reduction in standards is minimised.</p> <p><i>Some projects are now starting to predict and track the effect of change on service delivery. This needs to become a standard part of our programme/project methodology. Business case and other supporting documentation will be amended to embed this approach as consistent practice across all change programmes.</i></p> <p><b>March 2012</b></p>	H	The Council has not fully implemented this recommendation across all its programmes. Although the landlord programme is an example of where this has been introduced.	The Council should ensure it monitors the effect that organisational change has on service delivery to ensure the impact on performance is understood and the risk of any reduction in standards is minimised.

## 6. Action Plan

Rec No	Recommendation	Priority	Management Comment	Responsibility/Deadline
<b>Recommendations raised in 2011/12</b>				
1	The Council should update its procurement guidance to ensure it addresses arrangements for joint authority capital projects, including the possibility of risk sharing and transfer.	H	<p>There are only a small number of such projects that the Council undertakes annually and in such circumstances the Council does utilise an Inter Authority Agreement for these purposes.</p> <p>The Procurement Regulations are due to be revisited in October and a suitable clause will be included to address this concern.</p>	Head of Procurement 31 October 2013
2	More attention should be given to checking and signing off data before it is presented and published.	M	<p>The recent shift from Directorate Scorecard reporting to Outcome Performance Reporting (OPR), has meant that there are fewer PIs that needed attention before publication of data, minimising the risk of error. There are also a number of controls/procedures on SPAR.net (the corporate performance monitoring tool) that control the checking, approving and reporting of data.</p> <p>The Intelligent Council Programme is looking in detail at future models to allow for further integration of data and rigour in reporting.</p>	Head of Executive Office  Ongoing

## 6. Action Plan (continued)

Rec No	Recommendation	Priority	Management Comment	Responsibility/Deadline
3	The Council should review its systems to ensure more timely information is presented to SLT and Members.	H	<p>The quarterly Outcome Performance Reports (OPRs) were designed and well received during 2012/13. It allowed SLT/Cabinet &amp; Resources Scrutiny Commission the opportunity to challenge progress against each of the six outcomes.</p> <p>Following the appointment of the Democratically Elected Mayor, it was recognised that the Corporate Strategy needed a refresh as did the way performance is presented to SLT &amp; Members.</p> <p>There is now a re-focus on reporting to deliver and manage a new framework for linking strategy, planning and performance for the council, including:</p> <ul style="list-style-type: none"> <li>• Fortnightly updates – on headline changes</li> <li>• Monthly MI reports – integrated management reports (Already in place)</li> <li>• Quarterly Themed reports – progress against each Theme of the Corporate Strategy</li> <li>• Regular Challenge reports, ensuring all Corporate Strategy Themes are presented during the year (providing detailed information &amp; the opportunity to challenge)</li> </ul> <p>Work is underway to introduce new reports in 2013/14.</p>	Head of Executive Office 31 December 2013
<b>Implementing the VfM Strategy</b>				
4	The Council should ensure that recommendations raised by External and Internal Audit are completed within the timescale agreed.	H	<p>SLT have received updated reports and guidance from internal audit and understand control benefits of implementing recommendations in a timely way and have agreed the following:</p> <p>Internal Audit is regularly reporting and where necessary escalating matters to SLT via SLT meetings, Strategic Director liaison meetings and attendance at DLTs where appropriate. Senior Management within the Council are much more engaged in the improvement process and as such this should ensure recommendations are implemented in a timely manner.</p> <p>Auditees to be reminded of recommendation implementation deadlines in advance and the need to provide evidence by utilising Outlook Task facility.</p>	<p>Service Director, Finance Chief Internal Auditors currently in place</p> <p>Chief internal Auditors 1 September 2013.</p>

## 6. Action Plan (continued)

Rec No	Recommendation	Priority	Management Comment	Responsibility/Deadline
<b>Review of Bristol's Change Portfolio</b>				
5	The Council should review the role of Members in the current governance arrangements for the change portfolio.	H	<p>The establishment of the Executive Board, comprising of the Mayor, Cabinet and SLT has provided a mechanism for briefing on change programmes and a series of briefings on key strands has been established.</p> <p>The Executive Member for Resources receives regular briefings on change programmes, through a monthly progress report which now provides a summary of all programme costs and benefits.</p> <p>Resources Scrutiny Committee receives twice yearly briefings on the change portfolio. The overall change portfolio is currently being restructured, including the governance arrangements, to align with the priorities from the 3 year planning review. The role of Members in change governance will be included in this review.</p>	<p>Strategic Director, Business Change</p> <p>30 November 2013</p>
6	The Council should ensure that business cases are kept up to date during the life of each programme and are supported by detailed risk logs.	M	<p>Changes to costs and benefits with programmes are tracked through the PMO, although it is accepted that more rigour is needed by programmes in updating business cases. A more rigorous change control process has been implemented in June 2013, endorsed by Portfolio Management Group (PMG).</p> <p>Through the PMO, we will work with the accountable SRO's to ensure that all programme business cases are updated through more rigorous change controls in future. This will be applied to existing and new programmes.</p> <p>The change control process will continue under the restructured portfolio.</p>	<p>Service Director, Business Change &amp; ICT</p> <p>All approved programmes business cases</p>

## 6. Action Plan (continued)

Rec No	Recommendation	Priority	Management Comment	Responsibility/Deadline
7	The Council should ensure the current timeframe is realistic to achieve its planned scale of change for CYPS and HSC. It should review the key milestones in place, taking into account that significant elements of the work are still underway and the full business cases have yet to be completed and agreed.	H	<p>The PMO has introduced new challenge routines to improve confidence.</p> <p>The SRO for the HSC programme has confirmed that the programme benefits are on track, other than the care management project. For this project a legal challenge on the procurement of a new case management system, which has now been resolved, has resulted in a delay against which the project has re-planned. The outline Business Case has been taken forward by a series of Cabinet decisions.</p> <p>The Full Business Case for the CYPS programme was approved in October 2012. The SRO for the CYPS programme has recently commissioned an externally led review of progress. This has confirmed that milestones have been achieved and the programme is delivering net financial benefits to the Council in each and every year of the programme. Given this and the financial challenges faced by the Council, the external review has also been taken as the opportunity to consider further opportunities, with a number of recommendations made to prioritise the programme and increase the pace of delivery. The SRO is currently re-planning the programme in response to these recommendations. There is close cross working with other change programmes, facilitated by the arrangements established by the Service Director – Business Change, to align milestones and support the scale of change approved through the business case.</p>	<p>Service Director, Business Change &amp; ICT</p> <p>SRO HSC Currently in place</p> <p>SRO CYPS Currently in place</p>
8	The Council should agree SMART non-financial objectives and outcomes for the Bristol Workplace programme.	H	<p>This work is currently on-going</p> <p>The original deadline of May 2013 to address this recommendation was slipped by agreement. This was to facilitate the development / approval of the revised Bristol Workplace Programme (BWP) proposal (updated business case) that went to Cabinet on 29<sup>th</sup> July 2013. This activity is a partial fulfilment of recommendation 5 relating to the upkeep of business cases.</p> <p>Resource has now been acquired to address the development and approval of SMART non-financial objectives / outcomes. This is a combination of internal resource and the utilisation of specialist knowledge and skills from our ADAPT design partners, who were engaged in July 2013 to support BWP.</p> <p>Target date for the review of the non-financial benefits with SLT for approval is January 2014. This schedule is in alignment with other key elements of the programme, particularly the commencement of operational delivery for the programme.</p>	<p>Service Director, Business Change &amp; ICT</p> <p>SRO Bristol Workplace</p> <p>31 January 2014</p>

## 6. Action Plan (continued)

Rec No	Recommendation	Priority	Management Comment	Responsibility/Deadline
9	The Council should ensure all programmes are delivering SMART non-financial objectives and outcomes, which are aligned and considered alongside the outcomes for other programmes and are actively monitored.	H	It is accepted that more work is needed with programmes to improve the quality of non-financial objectives. A great deal of work has been completed to improve the coordination of programmes across the portfolio, including the development of a single portfolio plan and the creation of a dependency map for the portfolio. The current plans to restructure the change portfolio to a single change programme, with streamlined and simplified governance structures, will support the achievement of this improvement.	Service Director, Business Change & ICT  31 March 2014
10	The Council should ensure it monitors the effect that organisational change has on service delivery to ensure the impact on performance is understood and the risk of any reduction in standards is minimised.	H	While work has been undertaken with some programmes to predict the impact of change on service delivery, this is not being consistently applied. For example, the desk top and collaboration project identified the potential impact of deployment on business operations and significantly increased the size of the ICT service desk through the deployment period.  We will build the requirement to identify and mitigate the potential impact of change on business operations into all future business case approvals.	Service Director, Business Change & ICT  31 October 2013
<b>Asset Management</b>				
11	The Council should agree a mechanism for the development of a corporate approach to asset management.	H	The decision in principle has been taken by the City Director to create a single Corporate Property Division which has responsibility for and manages the Council's entire asset base. A business plan is now in course of preparation to implement this.	Service Director, Corporate Property -  31 January 2014

## 6. Action Plan (continued)

Rec No	Recommendation	Priority	Management Comment	Responsibility/Deadline
<b>Asset Management</b>				
12	<p>The Corporate Property Division should ensure that</p> <ul style="list-style-type: none"> <li>asset management meets the strategic and corporate objectives of the Council;</li> <li>the existing asset base is challenged and reviewed; and</li> <li>The council continues to work with others both public, private and voluntary.</li> </ul>	H	Full asset base review to be implemented. Strategic asset management plan to be delivered and implemented through the new Strategic Property service.	<p>Service Director, Corporate Property</p> <p>31 March 2014</p>
13	<p>The Corporate Property Division should ensure that:</p> <ul style="list-style-type: none"> <li>asset management performance can be monitored and improved</li> <li>there is a corporately determined, consistent and risk based approach to identifying and recording asset and stock conditions; and</li> <li>the condition of all assets and stock is accurately and routinely recorded in the central asset register.</li> </ul>	M	Part of the revised Strategic Property asset delivery	<p>Service Director, Corporate Property</p> <p>31 March 2014</p>



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