

**BRISTOL CITY COUNCIL  
AUDIT COMMITTEE**

**23 SEPTEMBER 2014**

**Report of: Service Director (Finance)**

**Title: Grant Thornton's VfM Reports 2013-14**

**Ward: Citywide**

**Officer presenting report: Grant Thornton UK LLP**

**Contact telephone number:**

**RECOMMENDATION**

The Audit Committee note, and comment as appropriate, on Grant Thornton's value for money reports for 2013/14.

**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.

They are as follows:

- Review of Governance – Phase 2
- Report of Value for Money for Bristol City Council

**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 has discussed and agreed the findings of the audit with the Service Director of Finance and the Service Director Business Change.

**External:** None.

## **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. The reports attached to this summary provide the Council detailed information and recommendations for those areas which were reviewed by Grant Thornton to support the 2013/14 VfM conclusion.
- 1.2 Grant Thornton's auditors 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: Review of Governance.

Appendix 2: Report on value for Money.

**Background Papers:** None

# Review of Governance – Phase 2 for Bristol City Council

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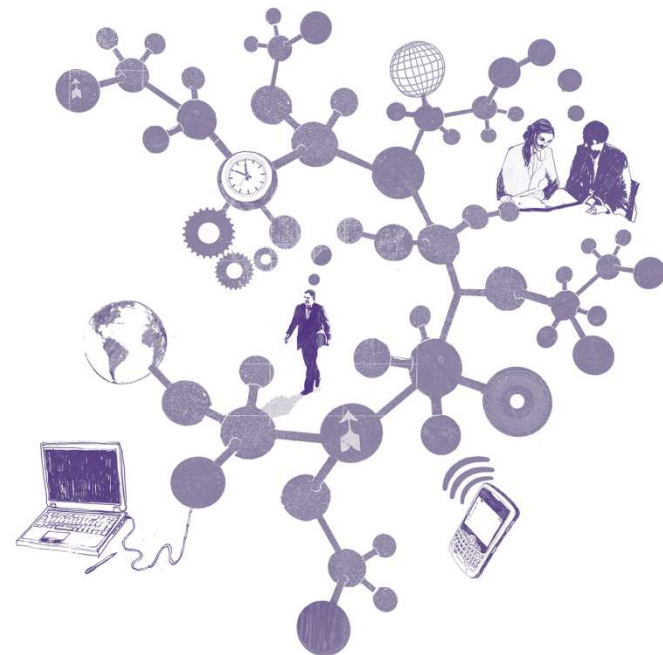
**September 2014**

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A. Action Plan

# Introduction

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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. Under the mayoral system the Mayor has extended powers greater than those previously held by the Council Leader. The Mayor performs a broader role representing the interests of Bristol's citizens, along with his member colleagues. In addition the Council is still required to have separate statutory committees in a number of areas, including planning, licencing, overview and scrutiny and audit. Neighbourhood Partnerships also remain.

The Council's constitution was amended and agreed on the 10 June 2014. The purpose of the changes were to reshape the scrutiny function to address recommendations by the Centre for Public Scrutiny, reduce the number of development control committees and to improve the public forum arrangements.

In 2012-13 we undertook a review of these arrangements and presented our findings to Audit Committee in September 2013. That review identified a number of recommendations. This report provides an update on those recommendations and progress made to date. The findings within this report have been used to support our 2013-14 VfM conclusion.

## **Timing of this review**

The detailed field work was completed during July 2014 and our findings concluded in August 2014.

# Our audit remit and approach

The following schematic summarises the objectives of the review and the main questions that focused our work.

A key focus of this element of the work was to understand and obtain the views of elected members. As a result we spoke to representatives from the four main political parties, the Mayor and lead officers. In addition we reviewed relevant documentation including work undertaken by Internal Audit.

## REVIEW OBJECTIVES

- to test the robustness and changes made in the governance arrangements since September 2013; and
- assess progress made against the recommendations raised in 2013.

## KEY QUESTIONS

### Role and responsibilities:

Do current arrangements ensure compliance and understanding of the agreed governance arrangements, including the Mayor, Full Council, Cabinet and Scrutiny?

### Decision making:

Do current arrangements include a formal evaluation mechanism of:

- compliance and understanding;
- the role of the Mayor and the relationships between the Mayor and both officers and Members;
- statutory responsibilities; and
- decision making?

Are decisions being taken by the right people, at the right time, based on robust data?

Are the risks relating to decisions clearly identified and managed?

### Strategic priorities and planning:

- Is there a strategic plan that sets out the strategic priorities?
- Have arrangements improved to ensure that the Forward Plan is up to date, complete and manageable?

### Performance management:

- Have strategic objectives been set for the Council and each Directorate?
- How is performance being monitored and managed at a corporate level and Directorate level?

### Communication:

- Are communications with the Mayor timely and appropriate to ensure an appropriate response.



# Summary findings

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The Council has made progress to improve the governance arrangements by strengthening the decision making processes, updating the constitution to address recommendations raised by the Centre for Public Scrutiny, more effectively manage Member questions and public consultation, and publishing the Council's strategic priorities. The Council now needs to build on its revised corporate risk register to ensure effective risk management arrangements are embedded throughout the organisation and strengthen its performance management arrangements.

## **Decision making processes**

The Council has focused on ensuring there is clarity and transparency around the decisions made. However, the introduction of the mayoral system has resulted in some areas of frustration and conflicts in the relationship between the Mayor and Members. The Council, Officers, Members and the Mayor need to consider how their relationship can be improved to ensure the strategic objectives of the Council can be progressed within the mayoral system whilst recognising that the changes require time to embed. As a result we consider that both internal and external independent evaluation will be beneficial to support and continue to improve the governance arrangements to enable them to be as effective as possible both now and post the next mayoral election in 2016.

## **Strategic Priorities**

The Council launched the Mayor's Vision in November 2013 and following review by Full Council and Scrutiny published its Corporate Plan in July 2014. Considerable progress has been made to improve the risk management arrangements and work is underway to review and update the Council's performance management arrangements. As part of these updates the Council needs to ensure that the strategic priorities are effectively risk managed and performance managed.

## **Next steps**

The recommendations coming from this review are contained within an action plan included at the end of this report.

# Progress made against recommendation raised in 2012/13

| Recommendations/<br>management comments   | Findings  | Recommendations   |
|---|---|---|
| <p>1 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. Specifically, 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> <p><i>The evaluation process will include:</i></p> <p>(i) <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.</i></p> <p>(ii) <i>Analysis of records held by Corporate Procurement to ascertain whether contracts between £100k and £500k are being appropriately published as officer decisions.</i></p> <p>(iii) <i>The extent of urgent decision-making to determine the timeliness of reports to support decision-making.</i></p> | <p>Internal Audit has assessed the decision making processes for both the Mayor and Officers. This review was completed prior to the changes in the constitution.</p> <p>The Council revised and updated its constitution in order to improve existing arrangements. The changes have been communicated to Members and were agreed by Full Council on the 10 June 2014. However, our discussions and fieldwork have highlighted a genuine lack of Member's understanding of the new scrutiny and governance arrangements, but also on occasions an unwillingness to operate and work within the mayoral system which may manifest itself as a lack of understanding and affects the relationship between the Mayor and Members.</p> <p>The relationship between the Mayor and Members remains an issue which, going forward, could have an impact on the effectiveness of committees, including scrutiny.</p> <p>The Officers, Members and the Mayor recognise that the new arrangements are evolving and developing and have only been in place a short time. We consider that it would be beneficial to evaluate the new arrangements, in six to twelve months, in order to assess that they are operating as expected, delivering the intended benefits whilst still enabling public and Member challenge. Further improvements should then be made, as necessary.</p> | <p><b>The Council should consider how Member understanding of the new arrangements could be enhanced.</b></p> <p><b>The Council should formally evaluate the constitutional changes in six to twelve months in order to assess they are operating as intended and delivering the intended benefits.</b></p> |

# Progress made against recommendation raised in 2012/13

| Recommendations/<br>management comments  | Findings   | Conclusion and recommendations   |
|--|--|--|
| <p>2 The Council must clarify, as a matter of urgency, its strategic priorities.</p> <p><i>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 into 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.</i></p> | <p>The Mayor launched his vision for Bristol as planned in November 2013. Based on this vision the Council developed its Corporate Strategy 2014-17 which was discussed by Full Council in March 2014. At this time it was agreed that the strategy required further work and was therefore not agreed. Following discussion and debate by a Member Scrutiny Workshop it was agreed by Full Council on the 22 July 2014.</p> | <p>No further action</p>   |
| <p>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 in a systematic and timely way.</p> <p><i>Aligned to the seven priorities above, we have re-aggregated performance measures under each of these headings and reflected in our regular outcome reports.</i></p>   | <p>The Council's Annual Governance statement recognises that a review of the Council's performance indicators is underway and the Council has yet to align the indicators with the Council's strategic objectives and the Mayor's Vision for Bristol. As a result systematic and timely reporting based on a core set of strategic indicators remains outstanding.</p>   | <p><b>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 in a systematic and timely way.</b></p> |

# Progress made against recommendations raised in 2012/13 (continued)

| Recommendations/<br>management comments  | Findings   | Recommendations  |
|--|--|--|
| <p>4 Ensure that the Forward Plan is up to date and complete, to the extent that this is possible.<br/><i>Staff are periodically reminded of the requirement to maintain an up to date forward plan. The actions outlined in item 1 will monitor compliance.</i></p> | <p>The Council has improved its arrangements to ensure a far more comprehensive forward plan is prepared on a monthly basis which looks four months ahead, as set out in the constitution. No key decisions have been made by the Mayor outside of Cabinet since February 2013 and Officer executive decisions since March 2014. These decisions are published on the Council's website.</p> <p>Items are now added in a far more timely manner, although further improvements could be made.</p> <p>The Forward Plan continues to include on average eight or nine decisions each month for which a date cannot be provided and a number of new items for which no more than one months notice is given. New items added within this time scale would not always enable appropriate scrutiny to be undertaken.</p> <p>The Forward Plan has begun to look further ahead and includes a small number of decisions five months ahead. We consider that the Council should consider looking further ahead to identify key decisions that have to be taken six to twelve months ahead to enable scrutiny committees appropriately plan and enable them to be effectively involved in policy development.</p> | <p><b>The Council should consider how the Forward Plan can be further developed to include:</b></p> <ul style="list-style-type: none"> <li>• <b>increasing the time from when a decisions is added and a decision has to be made, thereby reducing the number for which only one months notice is given</b></li> <li>• <b>reducing the number of items which are pending without a definite date for the decision</b></li> <li>• <b>populating it six to 12 months ahead.</b></li> </ul> |

# Progress made against recommendation raised in 2012/13 (continued)

| Recommendations/<br>management comments  | Findings  | Conclusion and<br>recommendations  |
|--|---|--|
| <p>5 Ensure that risks are properly assessed as part of the decision-making process, at a strategic level.</p> <p><i>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.</i></p> <p><i>The improvement plan includes:</i></p> <ul style="list-style-type: none"> <li>• <i>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.</i></li> <li>• <i>Ensuring performance reporting identifies risk decisions required in timely and clear performance reports.</i></li> <li>• <i>Strengthening key decisions to ensure alternative delivery options and the associated risks are properly considered.</i></li> <li>• <i>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.</i></li> </ul> | <p>In 2013 the Council began the process of reviewing and updating its risk management approach. The key aim being to ensure the corporate risk register focused on Senior Management and Members attention on the highest risks.</p> <p>As a result, a detailed action plan was agreed by the Strategic Leadership Team.</p> <p>Significant progress has been made in strengthening the strategic risk management processes. This has resulted in a review of the corporate risk register and ensuring those involved in the decision making process fully understand the risks facing the Council. The Extended Leadership Team now have responsibility for identification of risks and review of the corporate risk register. The Service Director Business Change is the owner of this register and ensures that risk is a constant focus in the deliberations of SLT.</p> <p>Further work is still under way on the risk management process and Directorates are currently developing their own registers. In addition, as the Council is currently reviewing its performance management arrangements, it has yet to align its risk management and performance management processes.</p> | <p>Actions are underway and the process is being actively managed by ELT, SLT and Audit Committee.</p> |

## Progress made against recommendation raised in 2012/13 (continued)

| Recommendations/<br>management comments  | Findings   | Conclusion and<br>recommendations |
|--|--|-----------------------------------|
| <p>6 Review the arrangements for managing communication to the Mayor so that a timely and appropriate response can be given.</p> <p><i>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 implemented. By October 2013, we will have in place modernised and streamlined systems for casework, correspondence, diary management, etc.</i></p> | <p>The Council has introduced a sequencing of meetings beginning first thing on a Tuesday and concluding on Wednesday. The aim of these meeting is to ensure the Mayor is fully briefed and up to date on key issues – 'The Pulse'.</p> <p>Resources have also been focused on the Mayor's office to provide support to manage the high level of correspondence received and to ensure communications can be managed efficiently and effectively. In addition the Council is currently implementing a new customer relations management system to improve the process.</p> | <p>No further action.</p>         |

# Action Plan

| Rec. No | Recommendation  | Priority | Management Response   | Implementation date and responsibility   |
|---------|---|----------|---|--|
| 1       | The Council should consider how Member understanding of the new arrangements could be enhanced.   | H        | Agreed. A user guide on the Public Fora has now been developed and circulated which includes information and guidance on petitions, statements and questions to the Mayor.  | Democratic Services Manager<br>August 2014   |
| 2       | The Council should formally evaluate all the constitutional changes in six to twelve months in order to assess they are operating as intended and delivering the intended benefits.   | H        | Agreed. Overview and Scrutiny Management Board agreed to review the constitutional changes/   | Service Director for Policy Strategy and Communications, Scrutiny Co-ordinator<br>January 2015 |
| 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 in a systematic and timely way.  | H        | Agreed and these are in development to track progress against the agreed Corporate Plan. In addition the Council is developing an 'open data' platform that will enable the public to track performance online and in real time.  | Service Director for Policy Strategy and Communications<br>November 2015                       |
| 4       | The Council should consider how the Forward Plan can be further developed to include: <ul style="list-style-type: none"> <li>increasing the time from when a decision is added and a decision has to be made, thereby reducing the number for which only one month's notice is given</li> <li>reducing the number of items which are pending without a definite date for the decision</li> <li>populating it six to twelve months ahead.</li> </ul> | M        | Agreed. We continue to develop the forward plan and to populate it to ensure that as much advance notice as possible is given for decisions. In July we held a workshop for Scrutiny commissions to develop a forward plan for the year which included items from the Forward Plan. | Democratic Services Manager<br>August 2014   |



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# Report on Value for Money for Bristol City Council

Year ended 31 March 2014

September 2014

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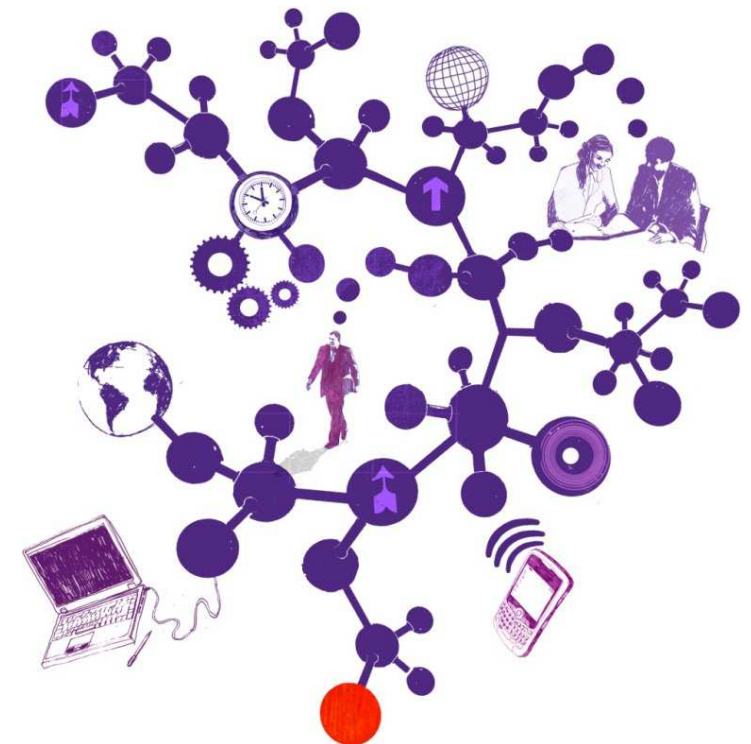
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# Introduction

## What is this report?

This report summarises the findings from our work supporting our Value for Money (VfM) conclusion, which is required as part of the statutory external audit responsibilities. A separate report has been issued which summarises our findings and identified specific recommendations relating to the governance arrangements, although some of the findings support the RAG ratings within this report.

It compliments our Audit Findings Report, by providing additional detail on the themes that underpin our VfM conclusion.

## Value for Money Conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission, which support our reporting responsibilities under the Code.

These criteria are:

**The Council has proper arrangements in place for securing financial resilience:** the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future (defined by the Audit Commission as "twelve months from the date of issue of the report").

**The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness:** the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

The Code require auditors to identify significant risks to the VfM conclusion and to plan sufficient work to evaluate the impact of those risks, if any.

## Our approach

The approach involves:

- desktop analysis of relevant documentation
- meetings with key internal stakeholders
- a risk assessment to identify any significant risks.

Our approach is designed to assess:

- arrangements in place related to the specified criteria
- performance during 2013/14 and what that says about those arrangements
- any significant risks that we have identified.

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# Introduction

## What is this context?

### Nationally

The 2010 Spending Review set the Coalition Government's financial settlement for the four years to 2014/15, and the 2013 Review then covered 2015/16. By the end of this period, central funding to local government will have reduced by 35%.

2013/14 is the third year of councils having to deliver efficiency savings in response to the 2010 Spending Review and, given the 2013 Review and the budget statement in 2014, this will need to continue for the foreseeable future. Delivering these efficiency savings and maintaining financial resilience is becoming increasingly difficult, even for top-performing councils. The challenges include:

- responding to welfare reform; and
- the drive towards more integrated health and social care.

Demand for many demography-driven council services is expected to rise, whereas demand for some income-earning services is falling.

To fulfil their statutory requirements, councils must continue to provide certain services. But the opposing trends in funding and demand will create a sizeable funding gap even if carefully managed. In short, the sector is working through its greatest financial challenge of recent times.

### Locally

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 (the 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 the Council had to identify savings of £29m in 2011/12, followed by £25m in 2012/13 and £22.5m in 2013/14. The Council has achieved these targets. The Council will need to deliver further savings in the region of £82.7m from 2014/15 onwards from savings already in delivery, new budget savings proposals and the Council's Single Change Programme.

In 2014 the Council has appointed its new strategic leadership team and now has four strategic directorates, People, Place, Neighbourhoods and Business Change. For the last twelve months, the Council has been undergoing a period of significant change and restructuring across all services and staff numbers have significantly reduced, line management has been changed and roles and responsibilities have been reshaped. The restructure is due to be completed by the end of October 2014.

Now, more than ever, it is important that councils have sound arrangements for securing Value for Money.

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# Executive Summary

## Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

## Key findings

### Securing financial resilience

We have undertaken a review which considered the Council's arrangements against key indicators of financial performance and the three expected characteristics of proper arrangements, as defined by the Audit Commission:

- strategic financial planning
- financial governance
- financial control.

Overall our work highlighted that the Council has demonstrated that it has proper arrangements in place to secure financial resilience. The Council has delivered an under spend on its revenue budget and continues to face the challenge of delivering further significant savings going forward.

Improvements have been made with the publication of the Council's first Medium Term Financial Strategy and strengthening of the governance arrangements, although further improvements are still required.

### Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

Overall our work highlighted that the Council has proper arrangements in place.

The Council is challenging the way it provides services and delivers savings through the Single Change Programme. The single change programme should deliver significant savings, which are planned from 2014/15. The Council should also agree SMART non-financial benefits for all its services which are included in the single change programme and ensure it actively monitors the effect that organisational change has on service delivery. The Council is currently developing its performance management system and is in the process of reviewing its performance indicators. As a result, the Council has yet to ensure that its monitoring of performance indicators is aligned and linked to its strategic objectives.

# Executive Summary

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

|              |  |
|--------------|--|
| <b>Green</b> | <b>Adequate arrangements appear to be in place</b>       |
| <b>Amber</b> | <b>Adequate arrangements, with areas for development</b> |
| <b>Red</b>   | <b>Inadequate arrangements</b>                           |

## Overview of arrangements

| Risk area                                      | Summary observations   | High level risk assessment |
|--|--|----------------------------|
| <b>Key Indicators of Financial Performance</b> | <p>In comparison to its "nearest neighbours" (Audit Commission VfM indicators) the Council is in line with the trends indicated by other Councils, for the majority of the indicators. The exception to this is the level of school balances as a proportion of the designated schools grant where the Council has one of the highest levels of school balances.</p> <p>The Council has achieved a revenue underspend for the fourth consecutive year, reviewed its reserves balance and setting aside £14m in a strategic reserve. However, the capital spend for 2013/14 was £145.6m, 23% below the revised budget. Sickness absence rates and the recording of completion of annual PMDS remain an area of concern for the Council.</p>   | <b>Green</b>               |
| <b>Strategic Financial Planning</b>            | <p>The Council published its first three year Medium Term Financial Strategy (MTFS) in February 2014 covering the period 2014/15 to 2016/17. The MTFS is based on the Mayor's budget for the same period and reflects these requirements within the savings targets.</p> <p>The Council now needs to ensure that the priorities within the MTFS are fully reflected within supporting strategies, such as workforce and information technology.</p>  | <b>Green</b>               |
| <b>Financial Governance</b>                    | <p>The Council has strengthened its governance arrangements by making permanent appointments to its Strategic Leadership Team and updating its constitution to both improve the efficiency and decision making processes and address the recommendations made by the Centre for Public Scrutiny. The new arrangements are evolving and the Council should ensure that they are kept under review and evaluated.</p> <p>However, the Financial Regulations still need to be updated. The Council's website refers to the Financial Regulations as at July 2012 and make no reference to the Mayor.</p> <p>We consider that the Council's financial governance arrangements could be improved by introducing corporate reporting on the delivery of its savings programme and a systematic and better integrated approach to benchmarking services in line with the corporate priorities. We recognise that the Council has introduced six monthly reporting to Cabinet and quarterly reporting to the Assistant Mayor on its savings programme.</p> | <b>Amber</b>               |

# Executive Summary

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

|              |  |
|--------------|--|
| <b>Green</b> | <b>Adequate arrangements appear to be in place</b>       |
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| <b>Red</b>   | <b>Inadequate arrangements</b>                           |

## Overview of arrangements

| Risk area                                      | Summary observations   | High level risk assessment |
|--|--|----------------------------|
| <b>Financial Control</b>                       | <p>The Council has a good track record of achieving its planned budget, under spending its 2013/14 net revenue budget by £0.3m.</p> <p>The Head of Internal Audit opinion has recognised an improvement in the control environment moving from high risk to medium risk, reflecting the progress made towards the end of the year.</p> <p>The Council has strengthened its strategic risk management processes and further work is underway. Directorates are in the process of developing their risk registers.</p>   | <b>Green</b>               |
| <b>Prioritising Resources</b>                  | <p>The Council now has a complete Strategic Leadership Team and has appointed a permanent section 151 officer. The Council has strengthened its decision making processes by ensuring the Mayor's forward plan is more up to date and looks four months ahead.</p> <p>The Council along with NHS Bristol Clinical Commissioning Group (CCG), has begun to work with its partners to develop and deliver the Better Care Fund. The Council needs to continue to develop these relationships and ensure that effective arrangements are in place that will deliver the planned vision from April 2015.</p>   | <b>Green</b>               |
| <b>Improving Efficiency &amp; Productivity</b> | <p>The Council has been working towards delivering savings and changing the way services are delivered through its change portfolio. The Council has continued to change the governance arrangements for transformation and on the 1 July 2014 Cabinet agreed the adoption of a single change programme. The single change programme should deliver significant savings, but as investment is required these will not be delivered until 2014/15. The Council should also agree SMART non-financial benefits for all its services which are included in the single change programme and ensure it actively 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>The Council is currently developing its performance management system and is in the process of reviewing its performance indicators. As a result, the Council has yet to ensure that its monitoring of performance indicators is aligned and linked to its strategic objectives. The Council should review its use of benchmarking to ensure its approach is efficient and effective to monitor performance against its strategic priorities.</p> | <b>Amber</b>               |



# Executive Summary

## Next Steps

| Area for consideration              | Recommendation   | Responsibility  | Timescale                    | Management response   |
|-------------------------------------|--|---|------------------------------|---|
|                                     | The Council should:  |   |                              |   |
| <b>Key indicators</b>               | introduce a formal mechanism to record the rate of annual staff appraisals completed and ensure all eligible staff are appraised and have an annual PMDS                         | Service Director HR and service Director for Policy, strategy and performance | September 2014 to April 2015 | Agreed. The Council is currently redesigning its individual performance management framework which will include the deployment of an online performance management system that will provide accurate MI on qualitative and quantitative PM measures |
|                                     | continue to strengthen arrangements and controls supporting capital expenditure and to ensure the amount of capital slippage reduces and the need to re-phase the budget reduces | Service Director Finance  | Already Underway             | The capital programme board now meets monthly throughout the year a systematic review has been carried out to understand under spends and to re-profile these for next year   |
|                                     | ensure those that are responsible for school balances are aware of how Bristol compares to others  | Service Director Finance  | October 2015                 | Agreed<br>Financial benchmarking will be undertaken in this area and reported   |
| <b>Strategic Financial Planning</b> | ensure that the proposals within the MTFP and the Mayor's priorities are reflected within supporting strategies, such as workforce and estates                                   | Service Directors for HR, Property and Finance                                | March 2015                   | Agreed. Links are already being established. The Single Change programme has brought together all of the councils change and transformation projects, this will also enable better linkages between these strategies and the MTFS                   |
| <b>Financial Governance</b>         | update the Financial regulations to reflect current governance arrangements  | Service Director Finance  | January 2015                 | Agreed. This is now reflected in the workplan for financial Services  |
|                                     | consider reporting achievement of savings plans/budget reduction proposals and efficiency gains on a corporate basis throughout the year and at the year end                     | Service Director Finance  | Underway                     | Agreed. Improvements have already been made to financial reporting during 2014/15 to include updates on achievement of budget savings, efficiency gains and the change programme  |

# Executive Summary

## Next Steps

| Area for consideration                       | Recommendation  | Responsibility                             | Timescale                 | Management response   |
|--|---|--|---------------------------|---|
|  | The Council should  |  |                           |   |
| <b>Financial Governance</b>                  | review its use of benchmarking to ensure its approach is efficient and effective to monitor performance against its strategic priorities  | Service Director - Finance                 | December 2014             | Agreed. A review has already commenced  |
| <b>Prioritising Resources</b>                | continue to work with Bristol CCG to develop effective partnership arrangements to deliver the Better Care Fund   | Service Director – Care Management         | Ongoing                   | Agreed. The will be delivered through partnership meetings with the CCG   |
|  | through the Better Care Fund programme board ensure operational plans are developed and delivery monitored  | Service Director – Care Management         | December 2014 and ongoing | Agreed. The will be delivered through partnership meetings with the CCG   |
|  | the Council and Bristol CCG need to consider what additional metrics are required to monitor and ensure delivery of the BCF   | Service Director – Care Management         | December 2014 and ongoing | Agreed. The will be delivered through partnership meetings with the CCG   |
| <b>Improving Efficiency and Productivity</b> | use cost comparison information to inform its decision making   | Service Director - Finance                 | December 2014 and ongoing | Agreed. The Council has recently appointed to the vacant Business Partner roles in Financial Services. These roles will provide challenge and strategic support to each Directorate, including the use of benchmarking and cost comparisons |
|  | agree SMART non-financial benefits for all its services and ways of working which are included in the single change programme   | Strategic Director Business Change         | December 2014 and ongoing | This is some tracking of non-financial benefits within the single change programme but this could be more rigorous  |
|  | ensure it actively monitors the effect that organisational change has on service delivery to ensure the impact on performance is understood and the risk of reduction in standards is minimised | Service Director – Business Change and ICT | Ongoing                   | Agreed. We are monitoring through our performance management any diminution in performance as well as designing services to ensure that reductions are made safely. This will improve as we develop our performance management arrangements |

# Key Indicators of Financial Performance

| Area of focus    | Summary observations  | 2012/13 RAG-Rating | 2013/14 RAG-Rating |
|------------------|---|--------------------|--------------------|
| <b>Liquidity</b> | <p>The working capital ratio indicates if an authority has sufficient current assets, or resources, to cover its immediate liabilities. The Council's working capital ratio for 2012/3 was 1.64:1, its highest level in the last 5 years. Compared to its nearest neighbour group, the Council has the 3rd best ratio, with only one council having a ratio that is above 2:1.</p> <p>This indicates that the Council's arrangements are adequate but that as working capital comes under increasing pressure it will need to be carefully monitored.</p>   | <b>Green</b>       | <b>Green</b>       |
| <b>Borrowing</b> | <p>The indicators for borrowing, long term borrowing to tax revenue and long term borrowing to long term assets show that for the Council's long term borrowing exceeds tax revenue, but has a lower ratio than the majority of its comparators. The ratio of long term borrowing to long term assets increased further in 2012/13 to 0.31.</p> <p>These indicators suggest the Council's level of borrowing is in line with its comparators.</p>   | <b>Green</b>       | <b>Green</b>       |
| <b>Workforce</b> | <p>The Council's sickness absence rate had decreased from 2008/9 until 2011/12, but increased to 8.73 days per FTE in 2012/13, with a decrease in 2013/14 to 8.38 days per FTE. However, this remains above its planned target of 8 days for 2013/14.</p> <p>The sickness absence rates have been achieved during a period of significant organisational change and when averages have increased in both the public and private sector.</p> <p>In September 2013 we reported that it is the Council's policy that all eligible staff should have an annual Performance Management Development Scheme (PMDS), but that in 2012/13 only 85.8% of staff had an PMDS assessment completed. The Council has not collated this information centrally in 2013/14 and is not aware whether this rate has increased or decreased. The Council intends to introduce an electronic monitoring system in November 2014.</p> | <b>Amber</b>       | <b>Amber</b>       |

# Key Indicators of Financial Performance

| Area of focus  | Summary observations  | 2012/13 RAG-Rating | 2013/14 RAG-Rating       |                      |                          |                      |                             |             |          |           |             |              |              |
|--|---|--------------------|--------------------------|----------------------|--------------------------|----------------------|-----------------------------|-------------|----------|-----------|-------------|--------------|--------------|
| <b>Performance against budgets (Revenue Capital &amp; Savings)</b> | <p>The Council has a good track record of ensuring net revenue spend is below budget. For 2013/14 net spend was £0.3m below budget, compared to £3.1m in 2012/13, £1.9m in 2011/12 and £3.3m in 2010/11. Spending compared to budget for the service directorates was £5m under budget. Savings were delivered in the People, Place and Neighbourhoods Directorates.</p> <p>The capital budget was approved at the beginning of the year at £221.422m, the budget was adjusted in July 2014 and October 2014 to a final year end budget of £188.3m. The Council spent £145.6m, £42.7m below plan. This equates to 23% slippage against the revised budget and 34% compared to the original budget.</p>  | <b>Amber</b>       | <b>Amber</b>             |                      |                          |                      |                             |             |          |           |             |              |              |
| <b>Reserve balances</b>  | <p>During the year the Council has reviewed its earmarked reserves and in February 2014 agreed to set aside a strategic reserve based on a consolidation of a number of earmarked reserves. The strategic reserve now has a clear purpose and approval route and includes, the capital reserve, change programme, development fund, directorate reserve, green capital and other specific purposes. As a result the following balances are in place (published August 2014 prior to audit).</p> <table border="1" data-bbox="344 1007 1671 1177"> <thead> <tr> <th></th> <th>Earmarked reserve<br/>£m</th> <th>General fund<br/>£m</th> <th>Strategic reserves<br/>£m</th> <th>Total reserves<br/>£m</th> </tr> </thead> <tbody> <tr> <td>Balance as at 31 March 2014</td> <td style="text-align: center;"><b>67.7</b></td> <td style="text-align: center;"><b>6</b></td> <td style="text-align: center;"><b>14</b></td> <td style="text-align: center;"><b>87.7</b></td> </tr> </tbody> </table> <p>The Council has maintained its target working balance of £6m as set out in its treasury management policy.</p> <p>We have considered the arrangements that the Council has in place to assess its level of reserves and we have compared the Council's ratio of useable (capital and revenue) reserves as a share of expenditure and are able to conclude that the Council is in line with its comparators as set out in appendix 1.</p> |                    | Earmarked reserve<br>£m  | General fund<br>£m   | Strategic reserves<br>£m | Total reserves<br>£m | Balance as at 31 March 2014 | <b>67.7</b> | <b>6</b> | <b>14</b> | <b>87.7</b> | <b>Green</b> | <b>Green</b> |
|  | Earmarked reserve<br>£m   | General fund<br>£m | Strategic reserves<br>£m | Total reserves<br>£m |                          |                      |                             |             |          |           |             |              |              |
| Balance as at 31 March 2014  | <b>67.7</b>   | <b>6</b>           | <b>14</b>                | <b>87.7</b>          |                          |                      |                             |             |          |           |             |              |              |
| <b>Schools balances</b>  | <p>The Council continues to have a high proportion of schools balances in comparison to others. For 2013/14, the balance increased by a further £14.6m to £39.4m.</p>   | <b>Amber</b>       | <b>Amber</b>             |                      |                          |                      |                             |             |          |           |             |              |              |

# Strategic Financial Planning

| Area of focus   | Summary observations   | 2012/13<br>RAG-<br>Rating | 2013/14<br>RAG-<br>Rating |
|---|--|---------------------------|---------------------------|
| <b>Focus of the MTFP</b>                              | The Council agreed its first three year Medium Term Financial Strategy (MTFS) in February 2014 covering the period 2014/15 to 2016/17. The MTFP is based on the Mayor's budget for the same period and takes into account the requirements of this in the savings targets.   | Amber                     | Green                     |
| <b>Adequacy of planning assumptions</b>               | The MTFS is based upon a financial model which has been developed and tested by officers.<br>The Council has included a number of assumptions within its budget and MTFS, such as Council Tax income and inflation rate. The Resources and Scrutiny Commission have examined the detailed budget assumptions, both revenue and capital through its planned scrutiny meetings.  | Green                     | Green                     |
| <b>Scope of the MTFP and Links to Annual Planning</b> | The Council has been undergoing significant restructuring during 2013/14 and its priority has been focused on delivering the required savings as set out in the MTFS whilst maintaining front line service standards. In addition, the Council has spent some time revising its Corporate Strategy, based on the Mayor's vision, which was formally agreed in July 2014.<br>As a result, the priorities set out within the MTFS and the 2013/14 budget are not, as yet, fully reflected within supporting strategies such as estates, information and workforce.   | Amber                     | Amber                     |
| <b>Review process</b>                                 | As the MTFS is still in the first year it is the Council intention to review the MTFS annually in line with the annual budget process.   | Amber                     | Green                     |
| <b>Responsiveness of the Plan</b>                     | The MTFS includes a number of scenarios that will affect the Council in terms of achieving targets. A number of issues have been identified that may affect the Council's ability to meet savings targets. Pay pressures identified are:<br>- Pay inflation - 1% pay award from 2014/15 estimated to be £5.4m over the three years<br>- Employers pension costs - actuarial valuation estimated to be £5.3m over the three years<br>- Pension deficit arising from the Corporate Restructure estimated to be £2m over the three years<br>- Additional Employers National Insurance costs estimated to be £3.5 in 2016/17.<br>Risks have also been identified that will pose a challenge to savings targets and these have been mitigated to show how the Council will address them within existing and proposed processes. | Amber                     | Green                     |

# Financial Governance

| Area of focus   | Summary observations  | 2012/13<br>RAG-<br>Rating | 2013/14<br>RAG-<br>Rating |
|---|---|---------------------------|---------------------------|
| <b>Understanding of the financial environment</b>     | <p>During 2013/14 the Council has strengthened its corporate management through permanent appointments to the Strategic Leadership Team (SLT) and, in July 2014, the appointment of a permanent Section 151 officer.</p> <p>The Council has made progress to improve understanding of its financial environment by strengthening the decision making processes, updating the constitution to address recommendations raised by the Centre for Public Scrutiny, and publishing the Council's strategic priorities. Our governance review highlighted a lack of Member's understanding of the new scrutiny and governance arrangements, as set out in the new constitution and also on occasions an unwillingness to operate and work within the mayoral system which may manifest itself as a lack of understanding and is affecting the relationship between the Mayor and Members.</p> <p>The Constitution was up dated in June 2014, however, the Financial Regulations have not and the version on the Council's website is dated June 2012.</p> | <b>Amber</b>              | <b>Amber</b>              |
| <b>Executive &amp; Member Engagement</b>              | <p>The Mayor, Members and SLT were involved in the financial processes and their engagement has been demonstrated through the process of setting the 2014-15 budget. In addition the Council has introduced a sequencing of meetings beginning first thing on a Tuesday and concluding on Wednesday to ensure the Mayor is fully briefed and up to date on key issues – 'The Pulse'.</p>  | <b>Green</b>              | <b>Green</b>              |
| <b>Overview for controls over key cost categories</b> | <p>The Council is aware of those key areas which are high cost and/or are under performing, for example, adult social care costs. The Council is addressing the high cost areas through the single change programme.</p> <p>The use of benchmarking and unit cost information is available but differs across the Directorates.</p> <p>The Council is in the process of reviewing the many indicators collected and reviewed across the Council, over 1,000, to identify and select those that are the most significant to form part of the Council's mechanisms to monitor its strategic priorities.</p>   | <b>Amber</b>              | <b>Amber</b>              |

# Financial Governance

| Area of focus                                   | Summary observations   | 2012/13 RAG-Rating | 2013/14 RAG-Rating |
|---|--|--------------------|--------------------|
| <b>Budget Reporting (Revenue &amp; Capital)</b> | <p>Monthly meetings are held by SLT which looks at financial performance compared to budget. The meeting is also attended by the S151 officer who can provide further financial knowledge and detail. SLT receive detailed financial reports to support these meetings.</p> <p>During the year the revenue and capital position compared to budget was reported to Cabinet three times:</p> <ul style="list-style-type: none"> <li>• 21 July 2014 – quarter 1 position</li> <li>• 31 October 2014 – first 5 months position</li> <li>• 5 August 2014 – 2013/14 year end position</li> </ul> <p>In the past, the Council has also reported its financial position to the Resources and Scrutiny Commission. However, as a result of the changes and developments in scrutiny arrangements the incidence of this has been reduced this year whilst the Business Change Commission has become established and taken over this role.</p> | <b>Amber</b>       | <b>Amber</b>       |
| <b>Adequacy of other Committee Reporting</b>    | <p>The Council's Annual Governance Statement recognises that a review of the Council's performance indicators is underway and the Council has yet to align the indicators with the Council's strategic objectives and the Mayor's vision for Bristol.</p> <p>As a result systematic and timely performance reporting based on a core set of strategic indicators remains outstanding. The following recommendation has been raised within our governance report: 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 in a systematic and timely way.</p>  | <b>Amber</b>       | <b>Amber</b>       |

# Financial Control

| Area of focus  | Summary observations  | 2012/13<br>RAG-<br>Rating | 2013/14<br>RAG-<br>Rating |
|--|---|---------------------------|---------------------------|
| <b>Budget setting &amp; monitoring - revenue &amp; capital</b> | <p>The 2013/14 budget was agreed in February 2014, following scrutiny and public consultation.</p> <p>During the year both the Directorates and SLT monitored performance against the agreed budget.</p> <p>Monitoring the delivery of capital projects and ensuring an appropriate budget has been set remains a challenge for the Council. The Council reduced its capital budget twice during the year.</p> <p>2013/14 was the first year, for a number of years that the Council has not begun the year by reporting forecast overspends across the Directorates, which have reduced during the year to an underspend. In July 2014, at the end of quarter one, the Council reported a forecast underspend of £0.8m, with an estimated year end underspend position of £0.250m.</p> | <b>Amber</b>              | <b>Green</b>              |
| <b>Savings plans setting &amp; monitoring</b>                  | <p>During 2013/14 the Council did not regularly monitor and report progress against its planned savings. In February 2014, Officers internally reviewed and RAG rated the position for the first six months and from this a view was taken that the savings would be delivered. This exercise was not repeated at the year end as the savings were deducted from the base budgets. Their successful delivery was assumed as the revenue spend did not exceed budget. The Council should consider reporting achievement of savings plans/budget reduction proposals and efficiency gains on a corporate basis.</p>   | <b>Amber</b>              | <b>Amber</b>              |
| <b>Key financial accounting systems</b>                        | <p>The Chief Internal Auditor has reported an improvement in the residual level of risk in the control, risk and governance environment within the Council, reducing their rating from high to medium, for the first time in two years. This is as a result of improvements in the financial systems towards the end of the year.</p> <p>The Council has made considerable progress in improving the effectiveness of its financial system following the implementation of ABW. This process of ensuring the system is fit for purpose and improvements were made and continue to be made in the financial control environment has been monitored by Financial Accounting Board (FAB). The findings from the FAB were reported on to SLT.</p>   | <b>Amber</b>              | <b>Green</b>              |
| <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.</p>   | <b>Green</b>              | <b>Green</b>              |



# Financial Control

| Area of focus  | Summary observations   | 2012/13<br>RAG-<br>Rating | 2013/14<br>RAG-<br>Rating |
|--|--|---------------------------|---------------------------|
| <b>Adequacy of Internal audit arrangements</b>       | <p>Internal Audit has adopted a risk based approach which has enable Internal Audit to ensure they are prioritising their resources accordingly. The annual plan for 2013/14 was approved by the Audit Committee.</p> <p>The work delivered has been broadly to plan whilst maintaining an element of flexibility to ensure those areas covered were correctly prioritised.</p>  | <b>Green</b>              | <b>Green</b>              |
| <b>External audit conclusions</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>Green</b>              |
| <b>Assurance framework/risk management processes</b> | <p>In 2013 the Council began the process of reviewing and updating it risk management approach. The key aim being to ensure the corporate risk register focused on Senior Management and Members attention on the highest risks.</p> <p>As a result, a detailed action plan was agreed by the Strategic Leadership Team.</p> <p>Significant progress as been made in strengthening the strategic risk management processes. This has resulted in a review of the corporate risk register and ensuring those involved in the decision making process fully understand the risks facing the Council. The Extended Leadership Team now have responsibility for identification of risks and review of the corporate risk register.</p> <p>Further work is still under way on the risk management process and Directorates are currently developing their own registers. In addition, as the Council is currently reviewing its performance managements arrangements, it has yet to fully align its risk management and performance management processes.</p> | <b>Amber</b>              | <b>Amber</b>              |

# Prioritising Resources

| Area of focus   | Summary observations   | 2013/14 RAG-Rating |
|---|--|--------------------|
| <b>Leadership and challenge in prioritising resources</b> | <p>The key way in which the Council challenges and prioritises resources is through the single change programme. On the 1 July 2014 Cabinet agreed the aggregation of the Council's transformation programmes into one single change programme. The report set out the Council's aim to deliver gross cumulative savings in the region of £64m by 2016/17.</p>   | <b>Green</b>       |
| <b>Better Care Fund</b>                                   | <p>We have also considered the work undertaken by the Council in partnership with Bristol CCG and others to agree and develop the Bristol Better Care Fund (BCF) Plan. The BCF plan was developed in partnership and agreed by the Health and Wellbeing Board (HWB). To date, the HWB has achieved the timescale and assurance requirements set by the Department of Health and is working towards the final submission date of 19 September 2014.</p> <p>The Bristol BCF Plan is a strategic high level plan which sets out the joint vision and aspirations of the partners. The Council and Bristol CCG are aware that the plan needs to be developed into robust operational plans to ensure the vision and aspirations become a reality. The Council needs to continue to work with the CCG and other partners to develop effective partnership arrangements based on trust.</p> <p>A multi-agency programme board has been established and this now needs to begin to ensure operational plans are developed and delivery monitored. The BCF plan includes both national and local outcomes and metrics. The CCG and the Council, through the programme board, need to consider what additional metrics are required to monitor and ensure delivery.</p> | <b>Amber</b>       |
| <b>Consultation with key stakeholders</b>                 | <p>The Council has improved the potential for the public to challenge the MTFs, following the publication of a three year strategy and the Mayor's priorities.</p> <p>In line with previous years, the 2014/15 was widely consulted upon by Members and the public and as a result changes were made.</p>  | <b>Green</b>       |

# Prioritising Resources

| Area of focus  | Summary observations   | 2013/14 RAG-Rating |
|--|--|--------------------|
| <b>Basis for decision making</b>                     | <p>As discussed earlier, financial information was presented to Cabinet three times in 2013/14. Scrutiny arrangements have been reviewed following a report by the Centre for Public Scrutiny, and a number of changes have been made to address their recommendations. Consequently, scrutiny has not been fully operational during the year and members and Committees are settling into their new arrangements.</p> <p>The Council has improved the decision making arrangements and a far more comprehensive forward plan is prepared on a monthly basis which looks four months ahead, as set out in the constitution. No key decisions have been made by the Mayor outside of Cabinet since February 2013 and Officer decisions since March 2014. These decisions are published on the Council's website. Items are now added in a far more timely manner, although further improvements could be made. We have raised recommendations to address this within our governance review.</p> | <b>Amber</b>       |
| <b>Understanding impact and outcome of decisions</b> | <p>The Council is in the process of reviewing the many indicators collected and reviewed across the Council, over 1,000 and as a result the Council has yet to align the indicators with the Council's strategic objectives and the Mayor's vision for Bristol.</p> <p>As a result systematic and timely reporting based on a core set of strategic indicators remains outstanding. In July 2014 the 2013/14 outturn performance was reported to the Overview and Scrutiny Management Board. This reported presented the Council's performance in line with the Mayor's priorities.</p> <p>Equality impact assessments are completed for all agreed savings and these should document the impacts on people with protected characteristics. Monitoring of service performance based on key indicators is completed by the Directorate Leadership Team.</p>   | <b>Green</b>       |

# Improving Efficiency & Productivity

| Area of focus                                    | Summary observations   | 2013/14 RAG-Rating |               |               |               |       |     |        |        |              |
|--|--|--------------------|---------------|---------------|---------------|-------|-----|--------|--------|--------------|
| <b>Understanding costs</b>                       | The use of benchmarking and unit cost information is available but differs across the Directorates. The Council should ensure that cost comparison information is used consistently across all Directorates to inform its decision making.   | <b>Amber</b>       |               |               |               |       |     |        |        |              |
| <b>IT Systems and Data quality</b>               | The Council has an agreed Information Security Policy which sets out the role of responsibilities for all staff and Senior Information Risk Owner. In 2012/13 the Council identified in its AGS the issue of Information Security and the potential for significant fines to the Council and distress to individuals due to breaches in Children and Young People Services (CYPS) paper handling data security control. As a result a new Handling Sensitive Paper Records Standard was issued and publicised and information security training was undertaken by all teams. The Council is a members of the Public Sector Network (PSN) and has demonstrated compliance with the PSN security standards which enable it to connect to the network.  | <b>Green</b>       |               |               |               |       |     |        |        |              |
| <b>Delivery of Savings and service re-design</b> | <p>The Council has assumed it achieved its savings as planned as it has underspent on its revenue budget. During the year the Council has not regularly monitored and reported progress against its planned savings. In February 2014 Officers internally reviewed and RAG rated the position for the first six months and from this a view was taken that the savings would be delivered. This exercise was not repeated at the year end.</p> <p>Going forward, the Council plans to more actively monitor deliver of its planned savings reporting monthly the position to SLT.</p> <p>The Council has been working towards delivering savings and changing the way services are delivered through its change portfolio. In September 2013 we concluded that the change portfolio continues to be a significant contributor to the Councils planned savings but has yet to deliver significant savings. The Council has continued to change the governance arrangements for transformation and on the 1 July 2014 Cabinet agreed the adoption of a single change programme. The approach was agreed by Cabinet and the following net financial benefits were agreed:</p> <table border="1" data-bbox="376 1062 1854 1206"> <thead> <tr> <th></th> <th>2014/15<br/>£m</th> <th>2015/16<br/>£m</th> <th>2016/17<br/>£m</th> </tr> </thead> <tbody> <tr> <td>Total</td> <td>4.7</td> <td>(32.2)</td> <td>(21.5)</td> </tr> </tbody> </table> <p>This illustrates that the in 2014/15 the amount invested in the single change programme is greater than the savings, but that significant savings should be delivered from 2015/16. We consider that the Council should also agree SMART non-financial benefits for all its services which are included in the single change programme and ensure it actively 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> |                    | 2014/15<br>£m | 2015/16<br>£m | 2016/17<br>£m | Total | 4.7 | (32.2) | (21.5) | <b>Amber</b> |
|  | 2014/15<br>£m  | 2015/16<br>£m      | 2016/17<br>£m |               |               |       |     |        |        |              |
| Total  | 4.7  | (32.2)             | (21.5)        |               |               |       |     |        |        |              |
| <b>Effectiveness of key services</b>             | The Council's performance outturn report provides a review of performance against the Mayor's vision. This report identifies those areas which are performing below target, no areas of significant under performance were evident. We also considered any relevant reports by third party, such as Ofsted.  | <b>Green</b>       |               |               |               |       |     |        |        |              |

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# Appendix 1 – Benchmarking

## **Our approach**

We have made use of the Audit Commission's Financial Ratios Analysis Tool and VfM Profiles Tool to benchmark the Council against its statistical nearest neighbours for relevant KPIs up to and including 2012/13.

We have also made use of the Council's information on rates of sickness absence.

# Key Indicators of Financial Performance

## Working Capital – Benchmarked

### Definition

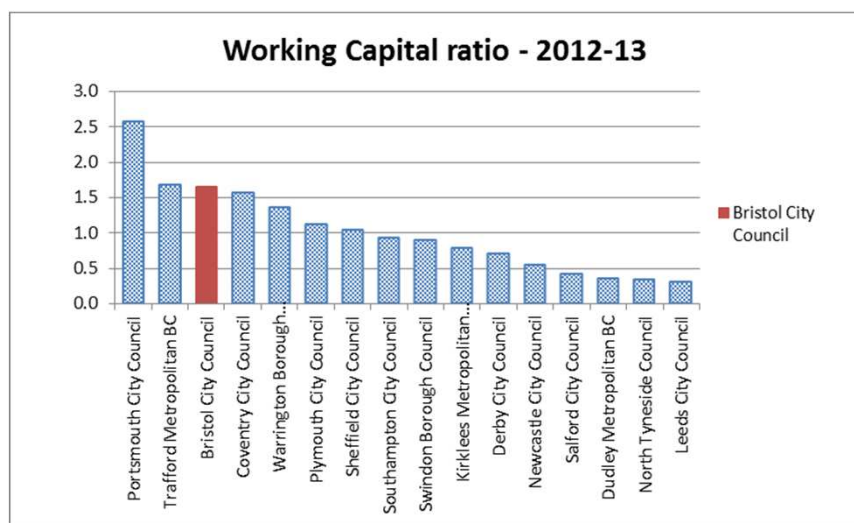
The working capital ratio indicates if an authority has enough current assets, or resources, to cover its immediate liabilities – i.e. those to be met over the next twelve months. A ratio of 2:1 is usually considered to be acceptable, whilst a ratio of less than one – i.e. current liabilities exceed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

### Findings

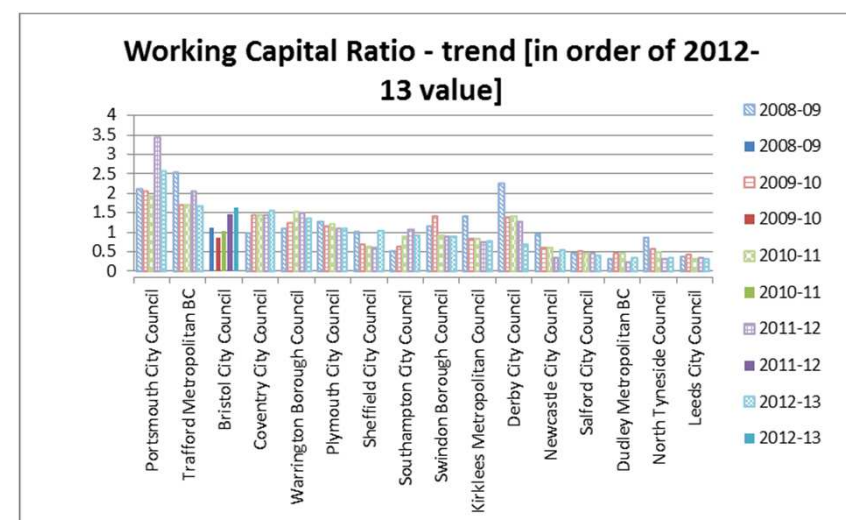
The Council's working capital ratio for 2012/13 was 1.64:1, below the recommended level of 2:1. The trend graph shows a continuing recovery from being below 1 in 2009/10.

The Council is towards the higher end of the neighbourhood group, with most being around or below 1, indicating that working capital is an issue for City Councils. Eight of the group saw their ratio fall during the year, while seven rose.

Working capital will come under increasing pressure at all councils, and Bristol will need to continue to monitor this carefully.



Source: Audit Commission's Technical Directory



# Key Indicators of Financial Performance

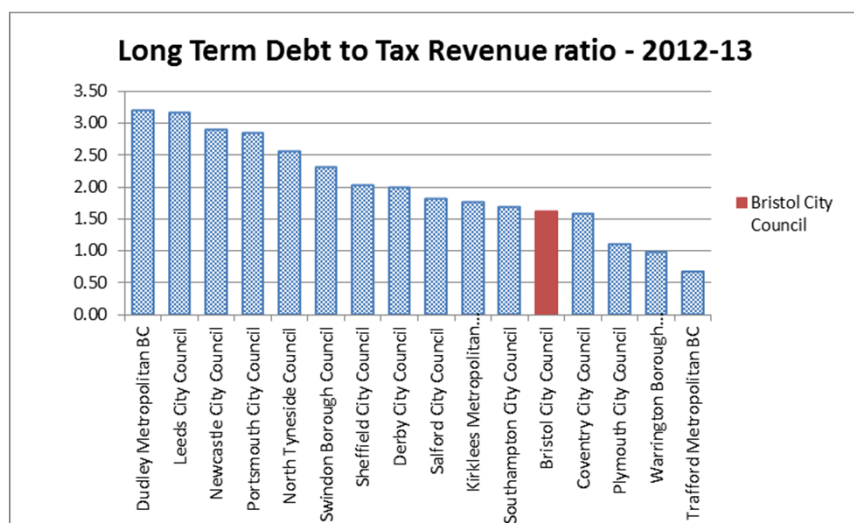
## Long Term Borrowing to Tax Revenue – Benchmarked

### Definition

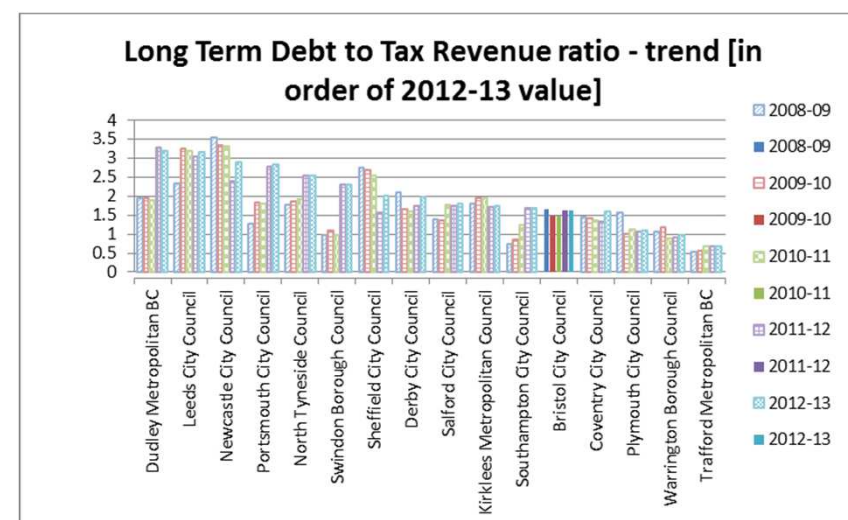
This ratio shows long term borrowing as a share of tax revenue. A ratio of more than one means that long term borrowing exceeds council tax revenue.

### Findings

In 2012/13 the Council's ratio fell very slightly to 1.63, but it continues to have long term borrowing which considerably exceeds tax revenue. However, among its neighbourhood peer group, Bristol remains 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 maintained a relatively consistent figure.



Source: Audit Commission's Technical Directory



# Key Indicators of Financial Performance

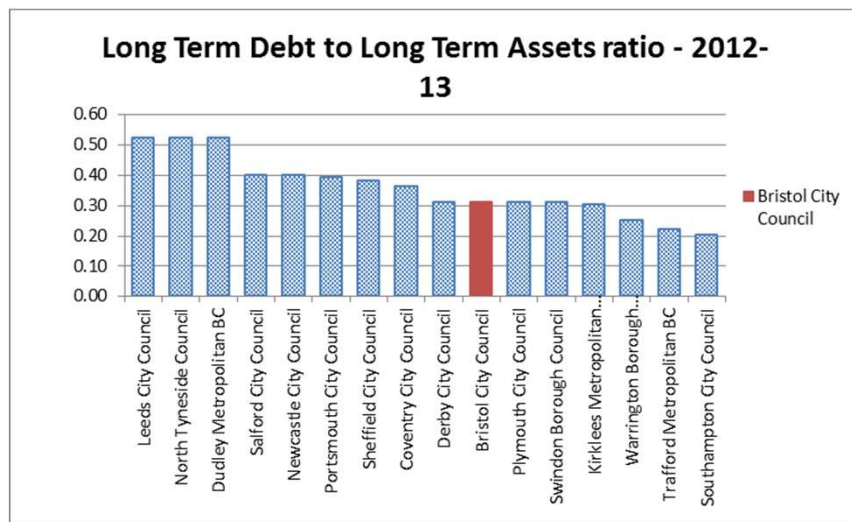
## Long-term borrowing to Long-term assets – Benchmarked

### Definition

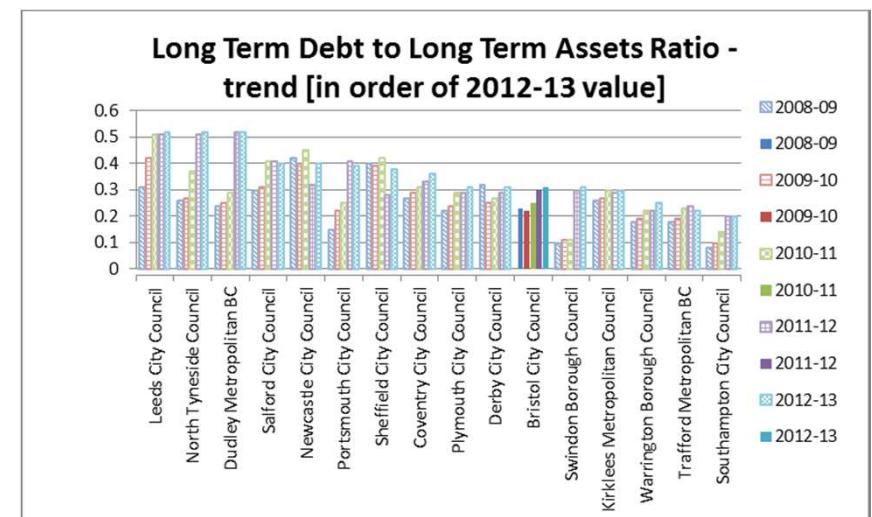
This ratio shows long term borrowing as a share of long term assets. A ratio of more than one means that long term borrowing exceeds the value of long term assets.

### Findings

Bristol's 2012/13 ratio of 0.31 showed a further rise so the figure has nearly doubled over the period. The trend graph shows that the Council's ratio has, in common with most of the neighbourhood group, levelled off.



Source: Audit Commission's Technical Directory



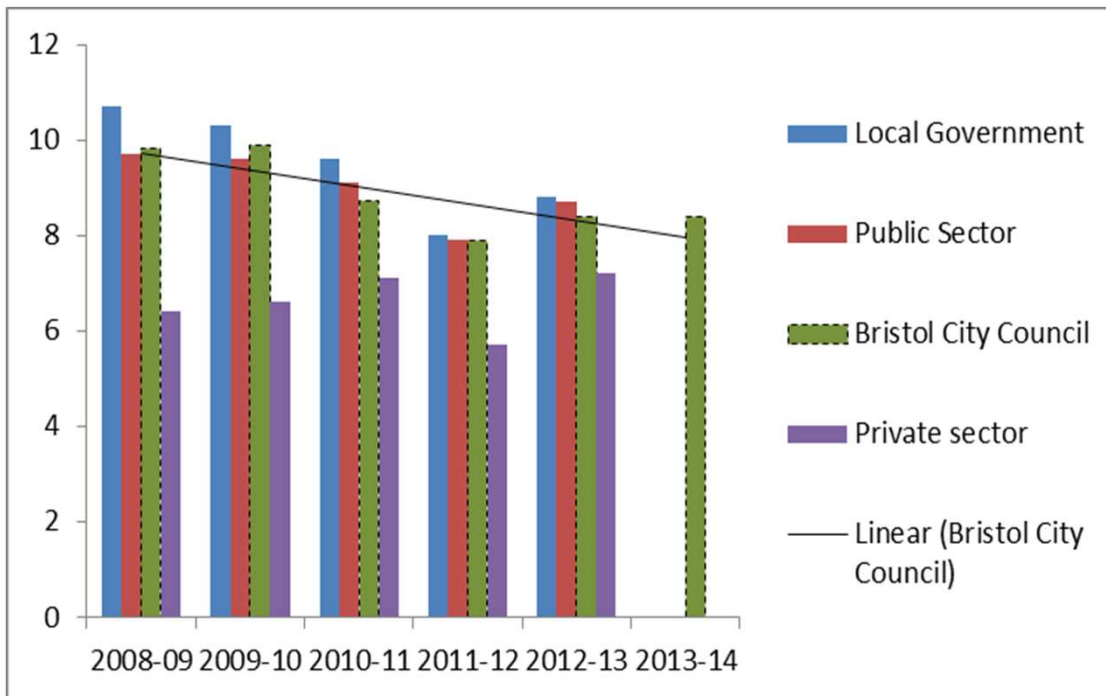


# Key Indicators of Financial Performance

## Sickness Absence Levels

### Background

The average sickness absence level in 2012/13 for the public sector was 8.7 days per FTE, whilst the private sector average was 7.2, both increasing from the previous year. 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 sickness rate was reducing up to 2011-12, with an increase in 2012/13 and a marginal decrease in 2013/14.

The Council's recorded sickness absence rate of 8.38 days per FTE in 2013/14 below its planned target of 8 days.

Source: Bristol City Council

# Key Indicators of Financial Performance

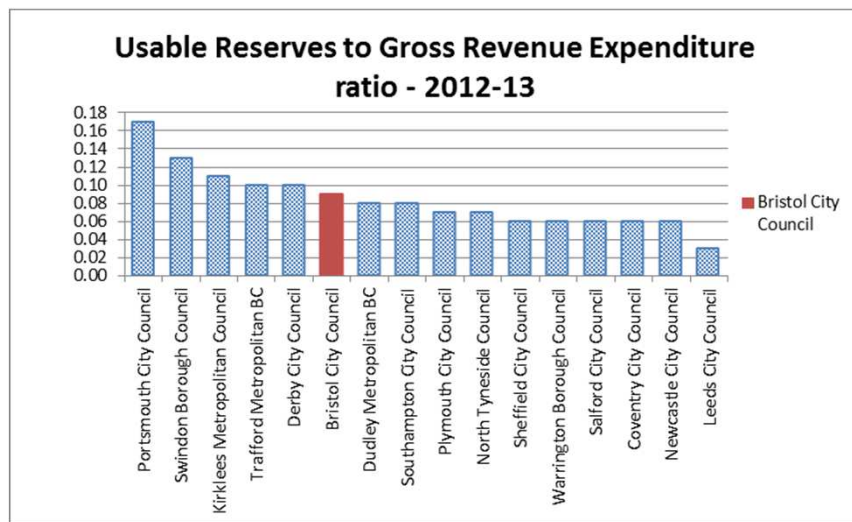
## Useable Reserves – Benchmarked

### Definition

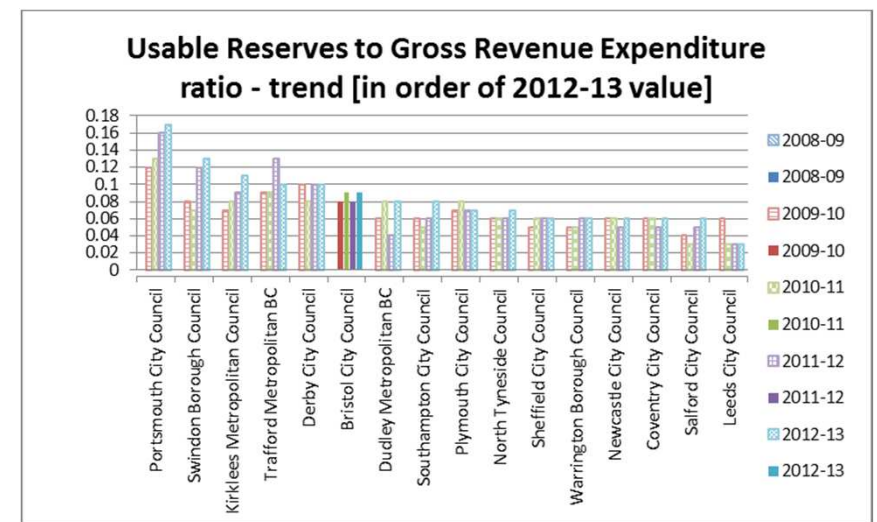
This shows useable capital and revenue reserves as a share of expenditure. A ratio of one means the total reserves match the level of expenditure.

### Findings

Bristol's ratio for useable reserves was 0.09 in 2012/13, placing it at the top of the mid-range of its neighbourhood group. Its ratio has fluctuated in recent years, but rose last year. Most of the best performing Councils (those with the higher ratios) in the group saw their ratio rise. Those Councils with lower ratios in the group tend to exhibit more static numbers, though most of the group managed an increase.



Source: Audit Commission's Technical Directory



# Key Indicators of Financial Performance

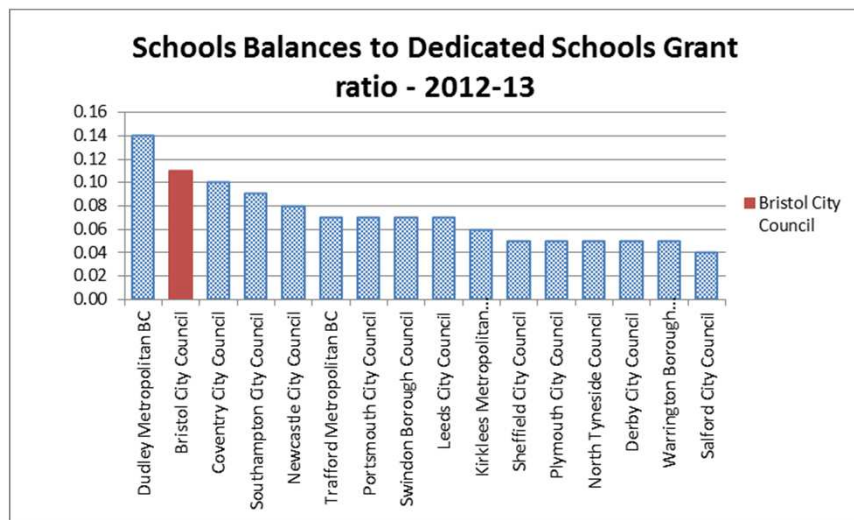
## Schools balances to DSG allocation – Benchmarked

### Definition

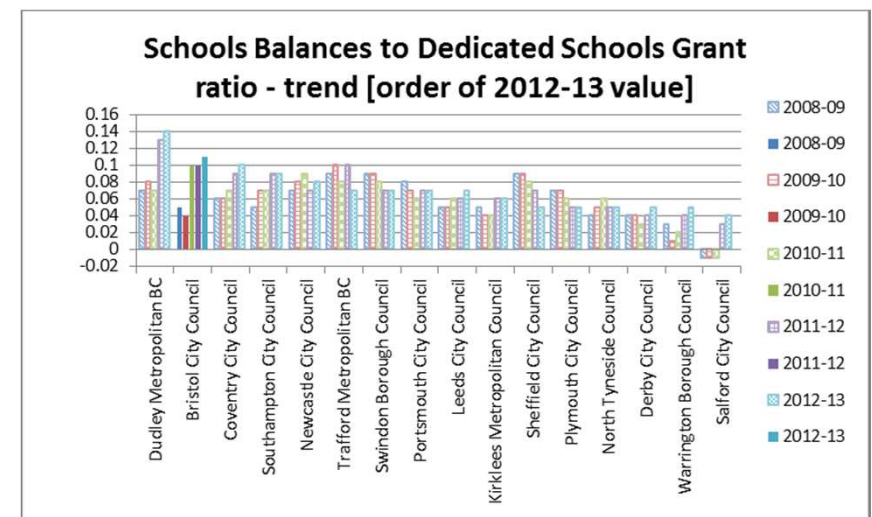
This shows the share of schools balances in relation to the total DSG allocation received for the year. For example a ratio of 0.02 means that 2 per cent of the total DSG allocation remained unspent at the end of the year.

### Findings

Bristol's ratio of 0.11 for 2012/13 is almost unchanged, leaving it close to the top of the neighbourhood group. The trend for the group shows that as last year those that have the largest ratios tend to be on an upward trend, but the picture is less clear cut for those with the smallest ratios..



Source: Audit Commission's Technical Directory





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