

**BRISTOL CITY COUNCIL
AUDIT COMMITTEE**

25 September 2015

Report of: Service Director (Finance)

Title: Grant Thornton – Value for Money Report

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 VfM Report 2014/15.

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 this conclusion and our findings are summarised in the attached report.

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 Finance Officers

before finalising the progress report.

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. This report summarises the findings and work completed to reach their VfM conclusion.

1.2 Barrie Morris, the appointed auditor 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: Grant Thornton's VfM Report 2014/15

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers: None

Report on Value for Money for Bristol City Council

Year ended 31 March 2015

September 2015

Final

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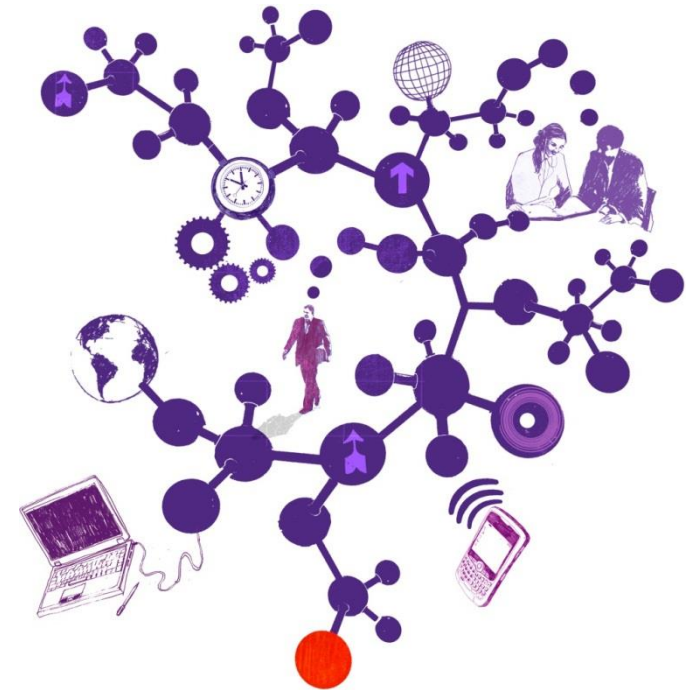
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to 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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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.

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 2014/15 and what that says about those arrangements
- any significant risks that we have identified.

Executive Summary

Overall Risk Assessment

The following significant risks were identified during our VfM planning, which we needed to respond to in the course of our work:

- increasing financial pressures to deliver £49m in savings over three years
- governance issues within local authority trading companies.

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 2015.

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 a breakeven position on its revenue budget. The Council annually reviews and updates its financial strategy and sets out how it will meet the financial challenge based on updated assumptions.

It continues to face the challenge of delivering further significant savings going forward.

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 as well as exploring other options such as local authority trading companies and devolution. The single change programme should deliver significant savings, from 2015/16 onwards.

Executive Summary

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

Green	Adequate arrangements appear to be in place
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

Overview of arrangements

Risk area	Summary observations	High level risk assessment 2013/14	High level risk assessment 2014/15
Key Indicators of Financial Performance	<p>The Council has been compared with the other English core cities. The Council is in line with the core cities for the majority of the indicators. The exception to this is the level of school balances and the level of reserves. The ratio of useable capital and revenue reserves as a share of expenditure, the Council is lower than four other core cities, but is higher than Newcastle, Sheffield and Leeds. The Council continues to review and carefully monitor its level of reserves.</p> <p>The Council achieved a revenue breakeven position and continues to monitor its capital position, improving the amount of slippage compared to previous years.</p> <p>However, sickness absence rates (at 8.46 days compared to a target of 8.0 days) and the recording of completion of annual PMDS remain areas of improvement for the Council.</p>	Green	Green
Strategic Financial Planning	<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 updated annually along with agreement of the budget. This update includes updates in assumptions and the previous year end position. Work is underway to develop the MTFS for the next three years.</p> <p>Following the Council restructuring, the HR departments have begun working across teams, at different levels, to provide key workforce planning information and statistics to support teams to develop their future workforce planning arrangements. In addition, the single change programme is focused on having a consistent single approach across the Council. A formal Change Board has been implemented whose membership included every Service Director and Strategic Director. The Board meet every 5 weeks and the joined up approach to this programme ensures delivery of the savings as identified in the MTFS. These changes can then be developed within service plans and the next three year MTFS.</p>	Amber	Green

Executive Summary

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

Green	Adequate arrangements appear to be in place
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

Overview of arrangements

Risk area	Summary observations	High level risk assessment 2013/14	High level risk assessment 2014/15
Financial Governance	<p>The Council has a good understanding of the financial position of the Council. The Mayor, Members and senior officers are engaged through regular meetings from the directorate team meetings to the strategic leadership team and on to Cabinet. The Financial Regulations have been updated to reflect current governance arrangements. However, these have yet to be finalised and taken to Full Council for approval. The version on the Council's website is dated June 2012.</p> <p>During 2014/15 the Council became aware of a number of governance issues within its trading company Bristol 2015 Ltd. As a result an independent review was commissioned and a number of changes were made to improve the governance arrangements, including appointing the City Director as the Chief Executive.</p> <p>The Council has introduced a 'Decision Pathway Project' which assists officers in planning their decision-making route, thereby reducing the number of decisions that arise without sufficient notice and reduces the number of pending items on the Mayor's forward plan. Scrutiny arrangements have been reviewed by the Centre for Public Scrutiny and improvements made as a result.</p> <p>Within the Council work continues to improve performance monitoring and the Council's Annual Governance Statement recognises that the Council's performance indicators could more effectively align to the Mayor's vision for Bristol. Further work is required to ensure the most appropriate measures are in place.</p>	Amber	Green
Financial Control	<p>The Council has a good track record of achieving its planned budget and achieved a breakeven position for 2014/15.</p> <p>The Head of Internal Audit opinion has recognised improvements in the control environment, but the overall rating remains at medium.</p> <p>The Council has strengthened its strategic risk management processes and Directorate Risk Registers are now in place.</p>	Green	Green

Executive Summary

Overview of arrangements

Risk area	Summary observations	High level risk assessment 2013/14	High level risk assessment 2014/15
Prioritising Resources	<p>The Council continues to challenge and prioritise resources through its single change programme. The single change programme aims to deliver gross cumulative savings in the region of £64m by 2016/17.</p> <p>Regular monitoring reports are presented to the Senior Leadership Team (SLT), Cabinet and the Business Change Commission.</p> <p>The Better Care Fund is a key area where the Council is working with NHS Bristol CCG and intends to deliver savings across the health economy. Verbal updates are presented to the Health and Wellbeing Board, but to date no detailed reports have been made publicly available which would provide an indication as to whether the initiative is progressing as planned.</p> <p>Decision making processes have been strengthened with the introduction of the 'Decision Pathway Project'. Following on from the review of scrutiny arrangements last year a further review has been commissioned. A report by the Centre for Public Scrutiny, was reported and agreed in March 2015.</p> <p>The Council has made progress in aligning its indicators with the themes set out within the Corporate Plan. Work continues on the Council's performance management system and work has begun on revising the Council's performance indicators to ensure they are effectively aligned to the Mayor's vision.</p>	Green	Green
Improving Efficiency & Productivity	<p>In order to improve cost comparison information available across the Directorates the Council is working with CIPFA to develop a number of comprehensive expenditure and income comparator reports by service. CIPFA will be holding workshops sessions with the Council in order to assist the Council in analysing and taking key messages from the benchmarking reports. Business Partners are also in post to provide support to the Directorates.</p> <p>The Council has introduced monitoring of the savings plans at Directorate, SLT and Cabinet. The target for 2014/15 was £46.2m. The Council has achieved its target and delivered a breakeven position on its revenue budget. However, not all savings were delivered as planned due to slippage. The Council was able to identify other savings to mitigate the impact of these delays.</p> <p>A key focus for savings in the future remains the single change plan and 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.</p>	Amber	Amber
Management of Natural Resources	<p>The Council is committed to the 'Green' agenda, demonstrated by achieving the European Green Capital award. As a result Bristol 2015 Ltd was established to deliver a number of key events and activities during the year. The Council is supporting the year with its own programme and grants funding process.</p>	Green	Green

Executive Summary

Next Steps

Area for consideration	Recommendation	Responsibility	Timescale	Management response
Key indicators	The Council should:			
	<ul style="list-style-type: none"> ensure annual staff appraisals are completed for all eligible staff 	Service Director - Human Resources	April 2016	A new online system, My Performance, was implemented in July 2015 and a programme of development has been put in place for managers and employees. The new system allows us to monitor completion and quality - regular reporting will take place via Directorate Leadership Teams with the expectation of full completion for all eligible staff.
	<ul style="list-style-type: none"> continue to address the staff sickness absence rate 	Service Director - Human Resources	March 2016	Regular analysis of sickness absence is now being considered by Directorate Leadership Teams and a focused case management process has commenced. Regular reporting has also been scheduled to the HR Committee.
	<ul style="list-style-type: none"> continue to strengthen arrangements and controls supporting capital expenditure to ensure the amount of capital slippage continues to reduce. 	Service Director - Finance	Throughout 2015/16	The improved capital monitoring arrangements, including the monthly reports to the capital programme board, will continue to be used to corporately review progress against capital projects to highlight variances and enable corrective action to be taken
Financial Governance	The financial regulations should be discussed and approved by full council and the web site should display the updated version	Service Director - Finance	December 2015	Agreed. The review of financial regulations is already underway. Progress will be reported to Audit Committee and following full council endorsement, updated regulations will be uploaded to the council's web site.
	Work should continue to ensure the most appropriate measures are in place to monitor progress against the Mayor's vision.	Service Director - Policy Strategy and Communications	March 2016	Agreed. Improvements to Service Planning and Key Performance indicators linked to the Mayor's vision are ongoing - including consultation with senior leaders and Overview & Scrutiny Management Board.

Executive Summary

Next Steps

Area for consideration	Recommendation	Responsibility	Timescale	Management response
Improving Efficiency and Productivity	The Council should agree SMART non-financial benefits for all its services and ways of working which are included in the single change programme	Service Director - Business Change and ICT	March 2016	Agreed. Both financial and non-financial benefits are identified during the 'discovery' activity associated with each new change proposal. This information will be used to justify the initiation of a project; the delivery of the associated changes to realise these benefits will be tracked on a monthly basis throughout the life of the associated project via highlight reporting. The ongoing tracking out of all benefits (both financial and non-financial) will be formally handed over to business as usual at the point of project closure.

Key Indicators of Financial Performance

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

Green	Adequate arrangements appear to be in place
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

Area of focus	RAG-Rating 2013/14	Summary observations for 2014/15	RAG-Rating 2014/15
Liquidity	Green	<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 2013/14 was 1.52:1, a slight fall from the previous year, but still demonstrating an increase in comparison to 2009/10. The Council compares favourably to the other core cities.</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>	Green
Borrowing	Green	<p>The Council has not taken out any new long-term borrowing in the year in line with its Treasury Management Strategy..</p> <p>The ratio of long term borrowing to long term assets decreased slightly from 2012/13 to 0.30. With two core cities having a ratio lower than the Council.</p> <p>We consider that Council's level of borrowing is in line with its comparators.</p>	Green
Workforce	Amber	<p>The Council's sickness absence rate was 8.38 days per FTE in 2013/14, this increased to 8.46 in 2014/15 and remains above the Council's target of 8.0 days.</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). The Council still aims to achieve this and in July 2015 implemented a new performance management system. Currently the Council does not have any data available on the rate of completion of annual staff appraisals due to the system only being recently implemented. Once fully operational the system will have the capability to inform completion rates and identify the progress made by staff in implementing their development plans.</p>	Amber

Key Indicators of Financial Performance

Area of focus	RAG-Rating 2013/14	Summary observations for 2014/15	RAG-Rating 2014/15								
Performance against budgets (Revenue Capital & Savings)	Amber	<p>The Council has maintained its track record of ensuring net revenue spend is within budget. For 2014/15 net spend was in line with the budget, compared to £0.3m below budget in 2013/14. Spending pressures continued within the People Directorate with demand increasing in children's and adult services. An overspend occurred within neighbourhoods due to additional costs within the waste collection service. The Council has been able to offset this overspend with underspends within these and the other Directorates.</p> <p>The capital budget was approved at the beginning of the year at £247.96m, the budget was adjusted during the year to a final year end budget of £191.99m. The final outturn was £166.2m, some £25.8m below plan. This equates to 13% slippage against the revised budget and 33% compared to the original budget. These figures highlight that there is still significant capital slippages within the budget which has been re-profiled to future years. The initiatives introduced in 2014/15 to reduce capital slippage, such as the introduction of the capital programme board and the capital clinics, have made some improvements in this area.</p>	Amber								
Reserves balances	Green	<p>In February 2014 the Council 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 projects or activities. In 2014/15 the Council has not needed to call on its strategic reserve and it has been maintained at £20m. The Council's policy is to maintain the reserve at a minimum level of between 3% to 5% of the Council's net revenue budget.</p> <table border="1" data-bbox="534 939 1614 1039"> <thead> <tr> <th></th> <th>Earmarked reserve</th> <th>Strategic reserves</th> <th>Total reserves</th> </tr> </thead> <tbody> <tr> <td>Balance as at 31 March 2015</td> <td>£86.3m</td> <td>£20.0m</td> <td>£106.3m</td> </tr> </tbody> </table> <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 in comparison to the other core cities. This indicates that the ratio for the Council is lower than four other core cities, but is higher than Newcastle, Sheffield and Leeds, as set out in appendix 1.</p>		Earmarked reserve	Strategic reserves	Total reserves	Balance as at 31 March 2015	£86.3m	£20.0m	£106.3m	Green
	Earmarked reserve	Strategic reserves	Total reserves								
Balance as at 31 March 2015	£86.3m	£20.0m	£106.3m								
Schools balances	Amber	<p>The school balances decreased in 2014/15 by £1.2m to £39.5m, but remain at a high level. Appendix 1 indicates that the Council has the highest proportion in comparison to the other core cities. However, we are aware that there are commitments to spend the carried forward reserves which have been agreed with the Schools Forum.</p>	Green								

Strategic Financial Planning

Area of focus	RAG-Rating 2013/14	Summary observations for 2014/15	RAG-Rating 2014/15
Focus of the MTFP	Green	<p>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.</p> <p>The Council has begun working on its next three year MTFS with a financial insights paper which includes a review of the MTFS 2015/16 to 2017/18, consideration of national fiscal forecasts and changes in local government finance. The outcomes of this insights paper will be integrated within the next three year MTFS commencing in September 2015.</p>	Green
Adequacy of planning assumptions	Green	<p>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.</p> <p>The MTFS recognises the financial pressures which the Council faces and identifies the anticipated further cuts in the region of another £49m estimated for the three-year period of the MTFS. A budget assumptions presentation was taken to the Business Change Overview and Scrutiny Committee which discussed the implications on changes in legislation, demographics/spending pressures and technical accounting/financing changes and other current issues and the effect and implications of these on the Council.</p>	Green
Scope of the MTFP and Links to Annual Planning	Amber	<p>Last year, we identified that the Council had revised its Corporate Strategy, based on the Mayor's vision, which was formally agreed in July 2014. As a result, the priorities set out within the MTFS and the 2013/14 budget were not fully reflected within supporting strategies such as estates, information and workforce. Following the Council restructuring the HR departments have begun working across teams, at different levels, to provide key workforce planning information and statistics to support teams to develop their future workforce planning arrangements. In addition, the single change programme is focused on having a consistent approach across the Council.</p> <p>A formal change board has been implemented whose membership included every Service Director and Strategic Director. The board meet every 5 weeks and the joined up approach to this programme leads to responsibility for delivery of the savings as identified in the MTFS. These changes can then be developed within service plans and the next three year MTFS.</p>	Green
Review process	Green	<p>The MTFS is reviewed annually as part of the budget process. The MTFS is updated and published annually along with agreement of the budget.</p>	Green
Responsiveness of the Plan	Green	<p>The MTFS includes a number of scenarios that will affect the Council in terms of achieving targets. The assumptions and spending pressures are reviewed and updated as part of the process identified above. The following updates were identified:</p> <ul style="list-style-type: none"> • Pay inflation – increased from 1% to 2.2% in January 2015, now estimated to be £13.8m over the three years • Contract inflation – estimated to be £3.4m in 2016/17. <p>The Council also identified other cost pressures which the Council faces due to increased demand for services, changes in government funding and new statutory requirements.</p>	Green

Financial Governance

Area of focus	RAG-Rating 2013/14	Summary observations for 2014/15	RAG-Rating 2014/15
Understanding of the financial environment	Amber	<p>The Council has a good understanding of its financial position. Regular meetings are in place that information can flow from the directorate team meetings to the strategic leadership team and on to Cabinet. In 2014/15 the Council has been able to reduce the in-year fluctuation in the financial position compared to previous years when the Council had reported overspends during the majority of the year and then delivered an underspend in the final quarter.</p> <p>During 2014/15 the Council became aware of a number of governance issues within its trading company Bristol 2015 Ltd. An independent review was commissioned and a number of changes were made to the governance arrangements, including appointing the City Director as the Chief Executive.</p> <p>The Council has introduced a 'Decision Pathway Project' which assists officers in planning their decision-making route, thereby reducing the number of decisions that arise without sufficient notice and reduces the number of pending items on the Mayor's forward plan.</p> <p>The Financial Regulations have been updated to reflect current governance arrangements. However, these have not yet been finalised or taken to Full Council to be reviewed and approved. The version on the Council's website is dated June 2012.</p>	Amber
Executive & Member Engagement	Green	<p>The Mayor and Members are engaged through cabinet and scrutiny roles. The Council recognises that scrutiny arrangements could be improved and has engaged the Centre for Public Scrutiny for a further review. A report was issued to the Council in March 2015 setting out a number of recommendations which were agreed by the Council and action to address the issues identified is underway.</p> <p>Directors and officers are engaged through the directorate team meetings and the strategic leadership team. Regular meetings are held between the Mayor and the City Director, as are meetings between the member Portfolio Leads and Directors and Service Leads.</p>	Green
Overview for controls over key cost categories	Amber	<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. In order to improve the information available, the Council is working with CIPFA to develop a number of comprehensive expenditure and income comparator reports by service. CIPFA will be holding workshops sessions with the Council in order to assist the Council in analysing and taking key messages from the benchmarking reports.</p> <p>Work has also been commissioned from External Consultants to enable them to better understand potential areas for savings.</p>	Green

Financial Governance

Area of focus	RAG-Rating 2013/14	Summary observations for 2014/15	RAG-Rating 2014/15
Budget Reporting (Revenue & Capital)	Amber	<p>Monthly meetings are held by SLT which look 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>Prior to these meeting the financial position is discussed at Directorate Team meetings.</p> <p>During the year the revenue and capital position compared to budget was reported quarterly to Cabinet:</p> <ul style="list-style-type: none"> • 2 September 2015 – quarter 1 position • 2 December 2014 – quarter 2 position • 3 March 2015 – quarter 3 position • 4 August 2014 – 2014/15 year end position <p>The Cabinet reports include a brief summary of position for delivery of savings as set out in the MTFS.</p> <p>The financial position is also reported to the Business Change Commission . The position was reported for quarter one and quarter three, the year end position will be reported in late September.</p>	Green
Adequacy of other Committee Reporting	Amber	<p>The Council's Annual Governance Statement recognises that work has begun on the Council's performance indicators and ensuring they are effectively aligned to the Mayor's vision for Bristol. However, further work is required to ensure the most appropriate measures are in place.</p>	Amber

Financial Control

Area of focus	RAG-Rating 2013/14	Summary observations for 2014/15	RAG-Rating 2014/15
Budget setting & monitoring - revenue & capital	Green	<p>The 2014/15 budget was agreed in February 2015, following Member scrutiny and public consultation.</p> <p>Regular meetings are in place where financial (revenue and capital) information is reviewed and challenged. In 2014/15 the Council has been able to reduce the in-year fluctuation in the financial position. In previous years, the Council has reported overspends during the majority of the year and then delivered an underspend in the last quarter.</p> <p>This year the Council reported overspends in quarter one and two, which reduced in quarter three and further reduced to achieve a breakeven position at the year end.</p>	Green
Savings plans setting & monitoring	Amber	<p>The Council has introduced detailed monitoring and reporting of progress against the savings plans at directorate level and at SLT. Cabinet receive a summary update of this position as part of the quarterly outturn reports.</p>	Green
Key financial accounting systems	Green	<p>The Chief Internal Auditor's annual opinion on the residual level of risk in the control, risk and governance environment is medium. Although improvements are being made, a strong focus on improvements in the internal control environment is required to ensure issues are resolved effectively and in a more timely manner.</p>	Green
Finance department resourcing	Green	<p>The Council reviewed the structure of its finance function. in 2013/14. The structure is now established with all positions filled with permanent staff or experienced staff on temporary contracts.</p> <p>A new Interim Finance Manager in Corporate Finance has been appointed to address the issues identified above.</p>	Green
Adequacy of Internal audit arrangements	Green	<p>The annual plan for 2014/15 was approved by the Audit Committee. and Internal Audit have continued to follow a risk based approach, whilst maintaining flexibility to prioritise reviews during the year.</p> <p>2014/15 has been a challenging year for Internal Audit, with staff changes as the new structure becomes embedded. The work delivered has been generally in accordance with plan, but the timeliness of reporting has slipped.</p>	Green
Assurance framework/risk management processes	Amber	<p>The Council continues to make significant progress in strengthening its strategic and operational risk management processes. Internal Audit have led the review of the Corporate Risk register and supported the Directorates to develop their registers. A detailed process has been introduced to ensure the Corporate Risk Register is reviewed by SLT, Members and the Deputy Mayor. The Audit Committee has a key role in ensuring compliance to the agreed process and review the Corporate Risk Register twice a year as well as the Directorate Risk Registers.</p>	Green

Prioritising Resources

Area of focus	RAG-Rating 2013/14	Summary observations for 2014/15	RAG-Rating 2014/15
Leadership and challenge in prioritising resources	Green	<p>The Council continues to challenge and prioritise resources through its single change programme. This programme aims to deliver gross cumulative savings in the region of £64m by 2016/17.</p> <p>Regular monitoring reports are presented to SLT, Cabinet and the Business Change Commission.</p> <p>The Better Care Fund is a key area where the Council is working with Bristol CCG and intends to deliver savings across the health economy. Verbal updates are presented to the Health and Wellbeing Board, but to date no detailed reports have been presented which would provide an indication as to whether the initiative is progressing as planned.</p>	Amber
Consultation with key stakeholders	Green	<p>The Council has enabled the public to challenge the budget and MTFs, through the public forum. Information is on the public forum to enable public questions to be raised for all public meetings.</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 to the budget proposals.</p>	Green
Basis for decision making	Amber	<p>Arrangements have been strengthened during the year through the introduction of the 'Decision Pathway Project' which assists officers in planning their decision-making route, thereby reducing the number of decisions that arise without sufficient notice. This protocol and supporting guidance has reduced the number of pending items on the Mayor's forward plan. The forward plan is reviewed and updated weekly.</p> <p>Following on from the review of scrutiny arrangements last year a further review has been commissioned. A report by the Centre for Public Scrutiny, was reported and agreed in March 2015.</p>	Green
Understanding impact and outcome of decisions	Green	<p>The Council has made progress in aligning its indicators with the themes set out within the Corporate Plan. The Council reports performance against an agreed set of indicators on quarterly basis to the Overview and Scrutiny Management Board.</p> <p>Equality impact assessments are completed for all agreed savings and these should document the impact on people with protected characteristics. Monitoring of service performance based on key indicators is completed by the Directorate Leadership Teams.</p> <p>The Council's Annual Governance Statement recognises that work has begun on the Council's performance indicators and ensuring they are effectively aligned to the Mayor's vision for Bristol. However, further work is required to ensure the most appropriate measures are in place.</p>	Green

Improving Efficiency & Productivity

Area of focus	RAG-Rating 2013/14	Summary observations for 2014/15	RAG-Rating 2014/15
Understanding costs	Amber	<p>The use of benchmarking and unit cost information is available but differs across the Directorates. In order to improve the information available the Council is working with CIPFA to develop a number of comprehensive expenditure and income comparator reports by service. CIPFA will be holding workshop sessions with the Council to assist in analysing and taking key messages from the benchmarking reports.</p> <p>Work has also been commissioned from External Consultants to enable them to better understand potential areas for savings.</p> <p>Business Partners are also in post to provide support to the Directorates.</p>	Green
IT Systems and Data quality	Green	<p>The Council has an agreed Information Security Policy which sets out the role of responsibilities for all staff and Senior Information Risk Owner. Improvements have been made in arrangements and no issues have been raised in the Annual Governance Statement.</p>	Green
Delivery of Savings and service re-design	Amber	<p>The savings target for 2014/15 was £46.2m. This target included savings planned for 2013/14 which were not delivered (£4.9m) and a further £41.7m to be delivered in year. The Council has achieved its savings and achieved a breakeven position on its revenue budget. A significant proportion, over £11m, through staff restructuring. Not all savings have been achieved as planned due to slippage, however, the Council has been able to identify other savings to mitigate these delays.</p> <p>The Council has introduced monitoring of the savings plans at Directorate, SLT and Cabinet.</p> <p>A key focus for savings in the future remains the single change plan and significant savings should be delivered from 2015/16. However, we consider that the Council should also agree SMART non-financial benefits for all its services which are included in the single change programme.</p>	Amber
Effectiveness of key services	Green	<p>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.</p>	Green

Management of Natural Resources

Area of focus	RAG-Rating 2013/14	Summary observations for 2014/15	RAG-Rating 2014/15
Management of Natural Resources	Green	The Council is committed to the 'Green' agenda, demonstrated by achieving the European Green Capital award. As a result Bristol 2015 Ltd was established to deliver a number of key events and activities during the year. The Council is supporting the year with its own programme and grant funding process.	Green

Appendix 1 – Benchmarking

Our approach

We have made use of information available in published council accounts to benchmark the Council against the core cities for relevant KPIs up to and including 2013/14.

We have also made use of published material on rates of sickness absence.

Key Indicators of Financial Performance

Working Capital – Benchmarked

Definition

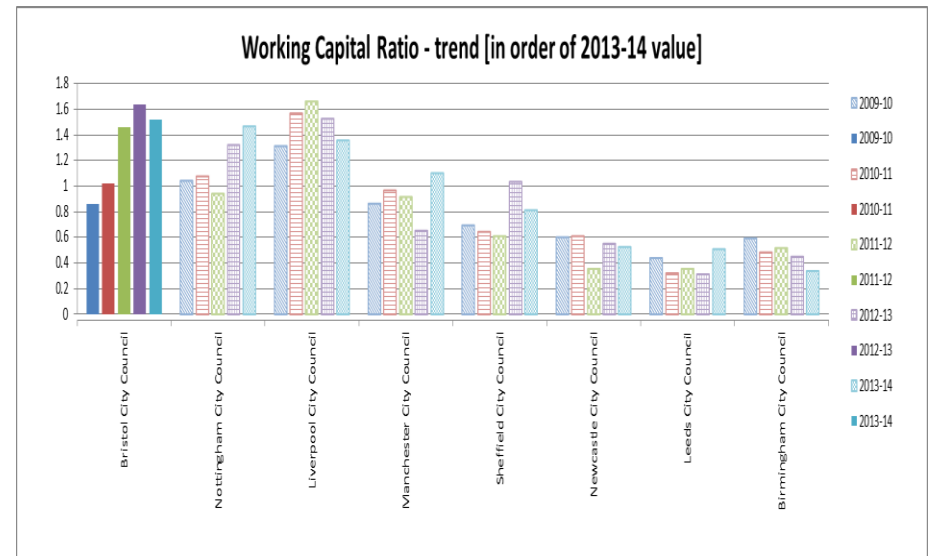
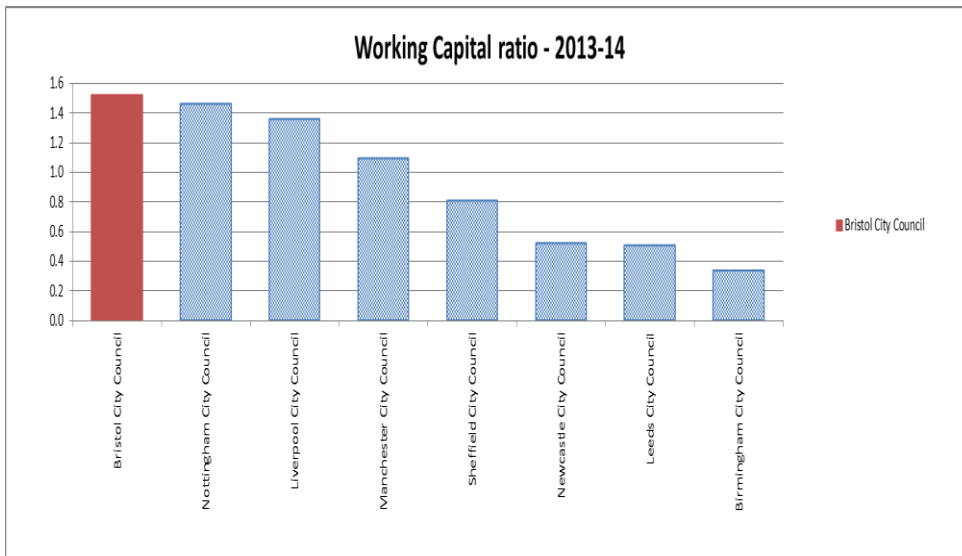
The working capital ratio indicates if an authority has enough current assets, or resources, to cover its immediate liabilities – i.e. those to be met over the next twelve months. A ratio of 2:1 is usually considered to be acceptable, whilst a ratio of less than one – i.e. current liabilities exceed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

Findings

The Council's working capital ratio for 2013/14 was 1.52:1, a slight fall from the previous year and below the recommended level of 2:1. The trend graph shows a general increase from below 1 in 2009/10.

The Council compares favourably with the other core cities, indicating that working capital is an issue for the core cities.

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



Key Indicators of Financial Performance

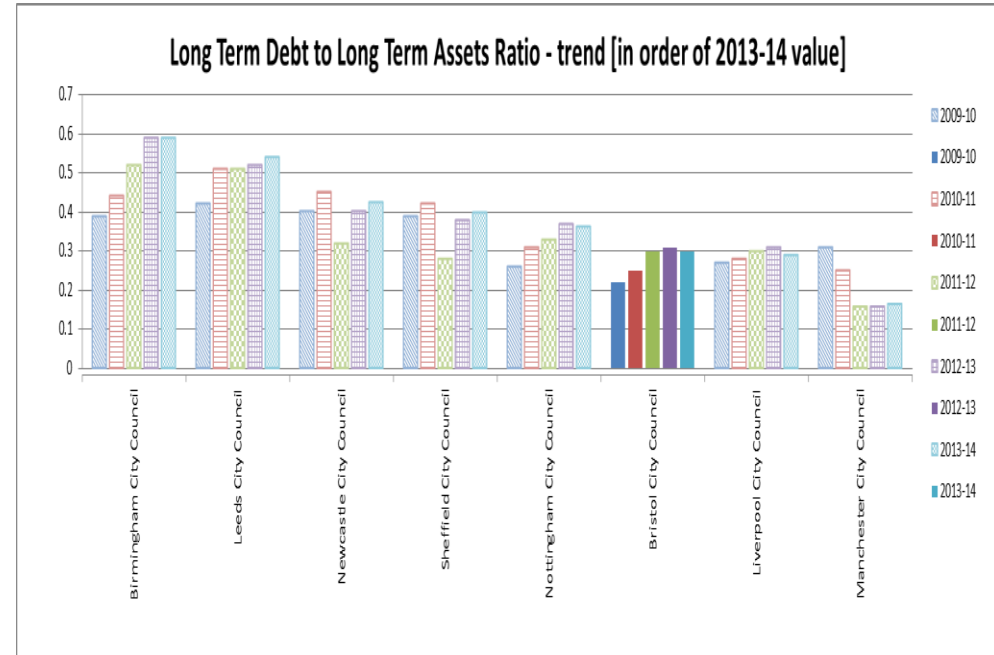
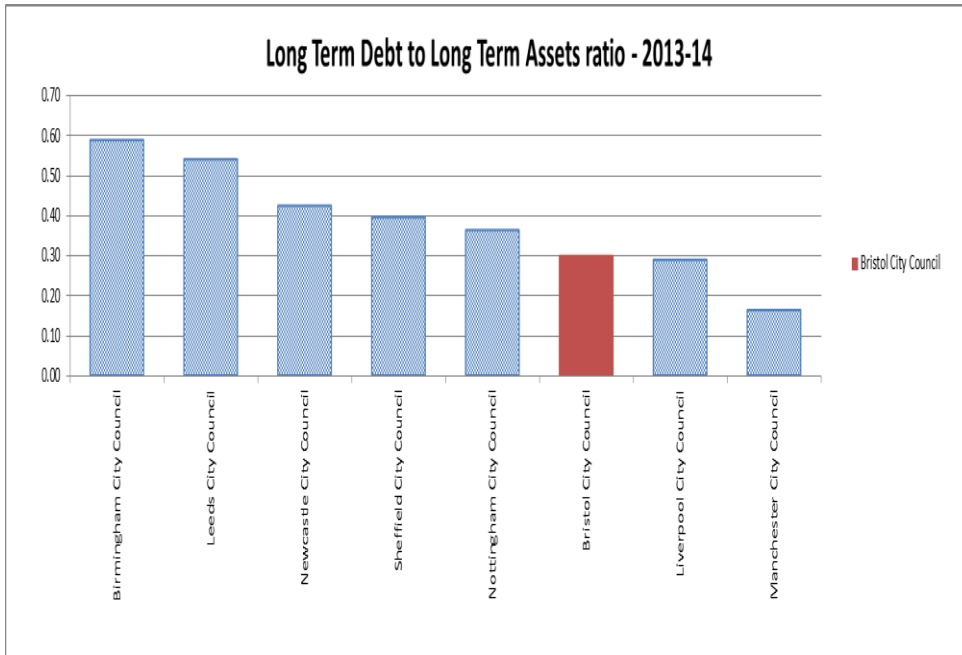
Long-term borrowing to Long-term assets – Benchmarked

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 2013/14 ratio of 0.30 shows a slight decrease from the year before with only two councils having a ratio below Bristol. The trend graph shows that the Council's ratio has levelled off.



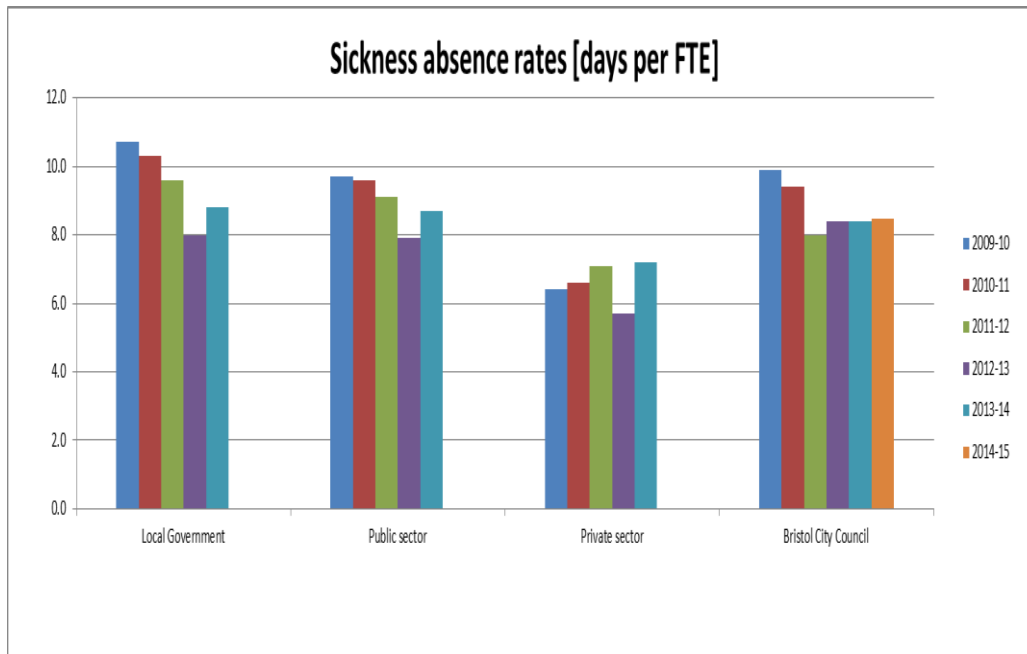
Key Indicators of Financial Performance

Sickness Absence Levels

Background

The average sickness absence level in 2013/14 for local government was 8.8 days per FTE, the public sector was 8.7 days per FTE, whilst the private sector average was 7.2, all 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".



Source: Bristol City Council

Findings

The chart opposite indicates that the overall sickness rate was reducing up to 2011/12, with an increase in 2012/13 and has since remained at a similar level.

The Council's recorded sickness absence rate of 8.46 days per FTE in 2014/15 is below its planned target of 8 days.

Key Indicators of Financial Performance

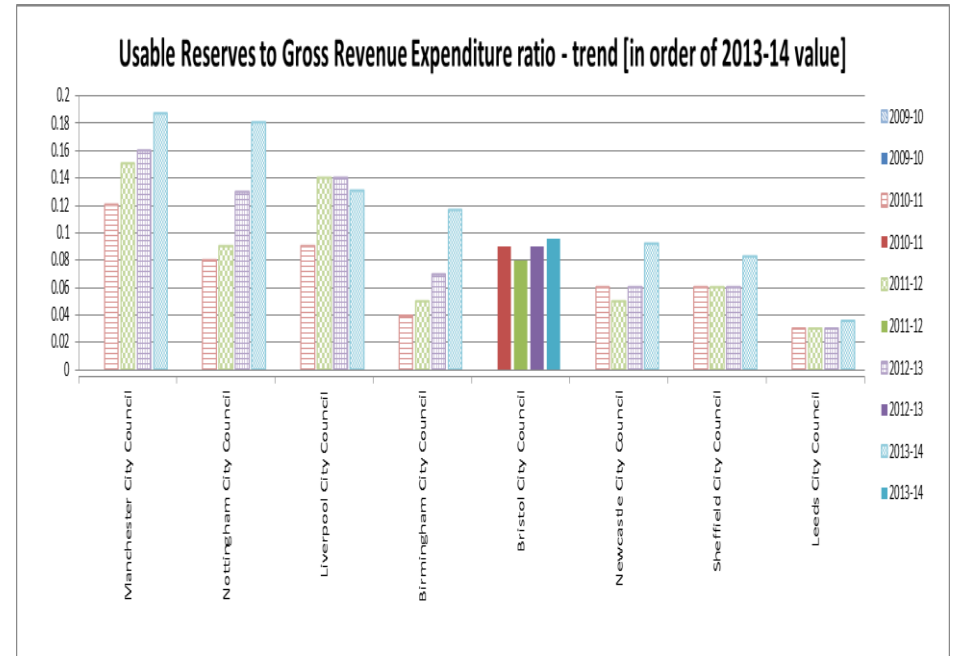
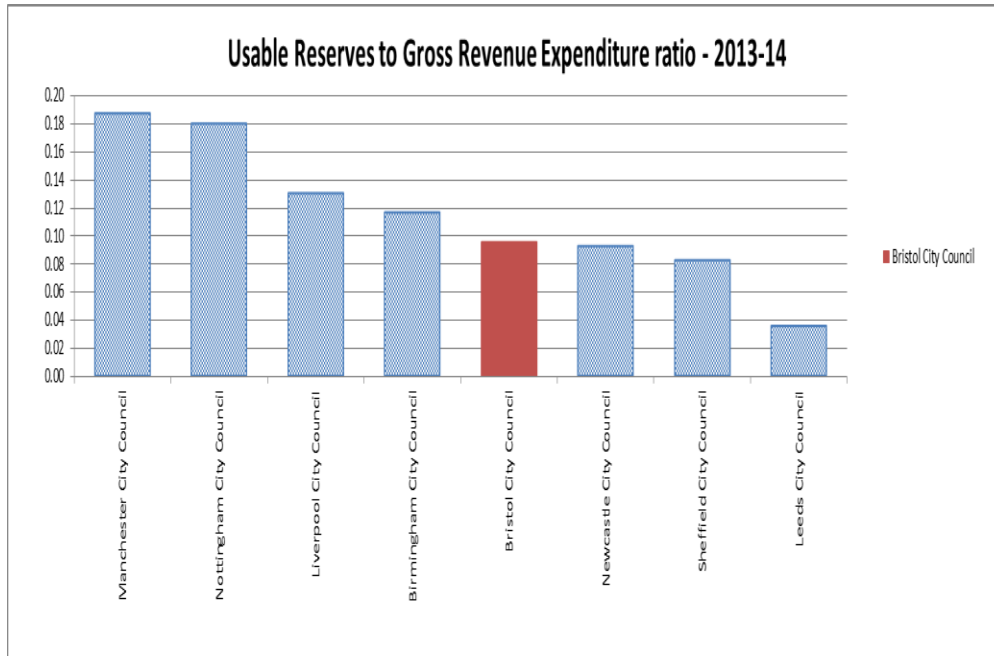
Useable Reserves – Benchmarked

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 0.1 in 2013/14 a slight increase since 2012/13. Its ratio has fluctuated in recent years, but risen in the last two years. Seven of the eight core cities have seen an increase in the ratio.



Key Indicators of Financial Performance

Schools balances to DSG allocation – Benchmarked

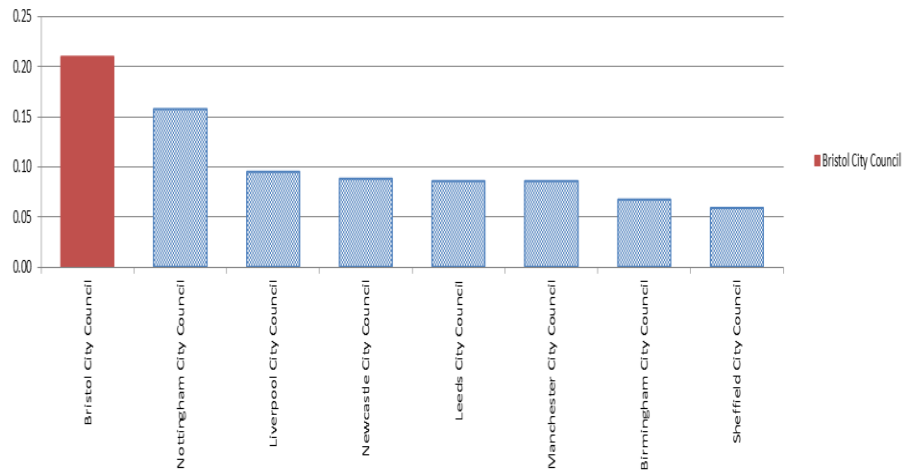
Definition

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.

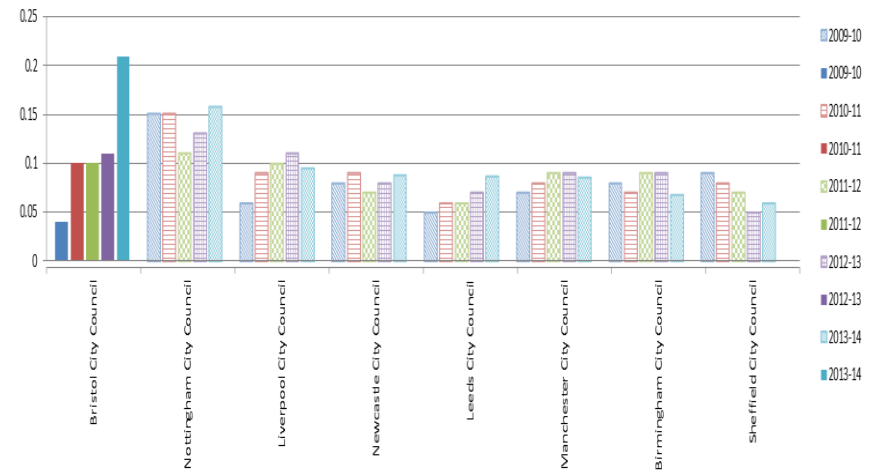
Findings

Bristol continues to have a large amount of reserves set aside for school balances. This is significantly higher than any of the other core cities. However we are aware that this has decreased from the previous year.

Schools Balances to Dedicated Schools Grant ratio - 2013-14



Schools Balances to Dedicated Schools Grant ratio - trend [order of 2013-14 value]





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