

# Audit Committee



**Date:** 29 April 2016

**Time:** 10 am

**Venue:** Brunel House, St Georges Road, Bristol BS1 5UY

**Labour**

**Liberal Democrat**

**Conservative**

**Green**

**Councillor Brain**

**Councillor Hopkins**

**Councillor Alexander**

**Councillor Thomas**

**Councillor Means**

**Councillor Mead**

**Independent**

**Members :**

**Ken Guy and**

**Brenda McLennan**

**If you have any questions about this agenda please contact the officer shown below.**

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**Democratic Services Officer: Steve Gregory**

**Contact tel no: 922 4357**

**Agenda published:** 21 April 2016

Produced by Democratic Services

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# Agenda



## Public Information Sheet

The attention of the public is drawn to the sheet at the back of the agenda giving information on the emergency evacuation procedures, attending meetings and inspecting reports and background papers.

### 1. Apologies for absence, substitutions and introductions

### 2. Public forum

(Time limit for this item: 30 minutes)

Any member of the public or councillor may participate in Public Forum. The detailed arrangements are set out in the **Public Information Sheet** at the back of this agenda. Please note that the following deadlines will apply in relation to this meeting:-

#### Questions:

Written questions must be received 3 clear working days prior to the meeting. For this meeting, this means that your question(s) must be received in this office at the latest by **5 pm on 25 April 2016**.

#### Petitions and statements:

Petitions and statements must be received on the working day prior to the meeting. For this meeting this means that your submission must be received in this office at the latest by **12.00 noon on 28 April 2016**.

The notice should be addressed to Legal & Democratic Services, c/o the Democratic Services Team, Brunel House St Georges Road Bristol BS1 5UY and marked for the attention of Steve Gregory.

### 3. Declarations of interest

To receive any declarations of interest.

### 4. Minutes – 11 March 2016

Page No 7

To confirm as a correct record.

### 5. Action sheet – 11 March 2016

Page No 17

To note actions.

### 6. Work Programme

Page No 18



<b>7.</b>	<b>Update on Information Security</b>	Page No <b>22</b>
<b>8.</b>	<b>Partnership Working in Bristol</b>	Page No 27
<b>9.</b>	<b>Accounting Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty</b>	Page No <b>81</b>
<b>10.</b>	<b>BDO's - Fee letter for2016/17</b>	Page No <b>102</b>
<b>11.</b>	<b>Draft of Internal Audit Plan 2016/17</b>	Page No 108
<b>12.</b>	<b>Annual report Risk Management</b>	Page No 115
<b>13.</b>	<b>Audit Committee - Draft Annual report to Council 2015/16</b>	Page No 120
<b>14.</b>	<b>Draft Annual Governance Statement 2015/16</b>	Page No <b>139</b>
<b>15.</b>	<b>Members Standard items</b> <i>No items to consider</i>	
<b>16.</b>	<b>Information Items</b> <i>No items to consider</i>	
<b>17.</b>	<b>Date of next meeting (AGM)</b>  Friday 24 June 2016 at 9.30 am	



# Public Information Sheet

Inspection of Papers - Local Government  
(Access to Information) Act 1985

You can find papers for all our meetings on our website at [www.bristol.gov.uk](http://www.bristol.gov.uk)

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For those with hearing impairment

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Committee rooms are fitted with infra-red induction loops to assist people with hearing impairment. These can be used with either a neck loop (for hearing aid users) or with a headset. The Democratic Services Officer will be able to provide you with these. Hearing aid users need to switch the hearing aid to the "T" position.

Public Forum

Members of the public may make a written statement or present a petition to most meetings, provided that:

- the statement, or in the case of a petition the subject matter, is received by Democratic Services no later than **12.00 noon on the working day before the meeting** and
- the statement or petition is about a matter which is the responsibility of the committee concerned.

Statements and the subject matter of petitions should be e-mailed to [democratic.services@bristol.gov.uk](mailto:democratic.services@bristol.gov.uk) or sent to Bristol City Council, Democratic Services Section, Brunel House St Georges Road Bristol BS1 5UY, or faxed to 0117 92 22146.

Any statement submitted should be no longer than one side of A4 paper. If the statement is longer than this, then for reasons of cost, only the first sheet will be copied to Members of Council and made available at the Meeting. For copyright reasons, we are unable to reproduce or publish newspaper or magazine articles that may be attached to statements.

**By participating in public forum business, we will assume that you have consented to your name and the details of your submission being recorded in the papers circulated to the committee. This information will also be made available at the meeting to which it relates and placed in the official minute book as a public record.**



**We will try to remove personal information such as contact details. However, because of time constraints we cannot guarantee this, and you may therefore wish to consider if your statement contains information that you would prefer not to be in the public domain. Public Forum statements will not be posted on the council's website. Other committee papers may be placed on the council's website and information in them may be searchable on the internet.**

### **Process during the meeting:**

- Public Forum is normally one of the first items on the agenda, although statements and petitions that relate to specific items on the agenda may be taken just before the item concerned.
- There will be no debate on statements or petitions.
- The Chair will call each submission in turn. When you are invited to speak, please make sure that your presentation focuses on the key issues that you would like Members to consider. This will have the greatest impact.
- Your time allocation may have to be strictly limited if there are a lot of submissions before the meeting.
- You do not have to speak or even attend the meeting at which your public forum submission is being taken. However, if you do not present it, then it will not be read out. It will nevertheless be noted by Members.

### Register of Interests

The Register of Interests for Members is available on our website at [www.bristol.gov.uk](http://www.bristol.gov.uk)

If you wish to view the Register of Interest of any Co-optee please contact the Democratic Services Officer.

### **Webcasting/Recording of meetings**

Members of the public attending meetings or taking part in Public forum are advised that all Full Council and Cabinet meetings and some other committee meetings are now filmed for live or subsequent broadcast via the council's [webcasting pages](#). The whole of the meeting is filmed (except where there are confidential or exempt items) and the footage will be available for two years. If you ask a question or make a representation, then you are likely to be filmed and will be deemed to have given your consent to this. If you do not wish to be filmed you need to make yourself known to the webcasting staff. However, the Openness of Local Government Bodies Regulations 2014 now means that persons attending meetings may take photographs, film and audio record the proceedings and report on the meeting (Oral commentary is not permitted during the meeting as it would be disruptive). Members of the public should therefore be aware that they may be filmed by others attending and that is not within the council's control.





## DISCLAIMER

The attached Minutes are DRAFT. Whilst every effort has been made to ensure the accuracy of the information and statements and decisions recorded in them, their status will remain that of a draft until such time as they are confirmed as a correct record at the subsequent meeting

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## Agenda Item No. 4

### **Bristol City Council Minutes of the Audit Committee meeting 11<sup>th</sup> March 2016 at 9.30 am**

#### **Present:**

Councillors - Lesley Alexander, Mark Brain (Chair), Olly Mead, Eileen Means, Gary Hopkins, Jerome Thomas  
Independent Member(s) – Brenda McLennan, Ken Guy

#### **Also present: OSMB Members (for agenda item 7 only)**

Councillors – Holland, Negus, Pearce.

#### Key officers/others in attendance:

Councillor Gollop - Deputy Mayor, Alison Mullis/Melanie Henchy-McCarthy - Chief Internal Auditor, Tony Whitlock-Principal Accountant, Stephen Hilton - Service Director (Bristol Futures), Alex Minshull Sustainable City and Climate Change Service Manager, Lynda Bird Devolution Project Manager, Phil McCourt Legal Consultant, Nicola Yates Chief Executive Bristol 2015 Ltd, Emma Lloyd Finance Director Bristol 2015, Pamela Evans - BDO Accountants.

#### **1. Apologies for absence and substitutions**

Apologies received from Greg Rubins BDO.

#### **2. Public forum**

Written Questions & Answers

<b>Number</b>	<b>Name</b>	<b>Agenda Item</b>
<b>1</b>	Merche Clark	Green Capital Funding
<b>2</b>	Stephen Williams	Green Capital Funding

(1-6)		
<b>3</b> (1-6)	Christian Martin	Green Capital Funding

The written Questions & Answers were made available to the public one hour before the meeting in accordance with the Council's Standing Orders. A copy of the Q&A's are held in the Audit Committee Minute Book.

### **Supplementary Questions**

#### **Stephen Williams**

'Out of that £1 million pounds of Bristol tax payers' money we do know that nearly a quarter of it, £245,000 was spent on a website and £138,000 was spent on something called the Bristol Method and various other amounts were spent out of that amount of that £1 million as well which is your money Chairman or the tax payers' of Bristol's money of which you are accountable for so my question to you or if you wish to nominate an officer to respond is does anyone know who actually got the amount for setting up the website or for the Bristol Method or for any of the other questions I have answered.'

#### **Stephen Hilton**

'I can clarify my understanding is that the £245,000 that your refer to for the website was not for a website per se, it was for a digital programme so the £245,000 also included content that was produced for events and for use online which included media support for digital communications and whilst Bristol City Council did not do the work, it was sub-contracted to 2015 Limited so we do not have details of the specific contracts that were entered into. We are advised of a range of suppliers who were involved in the delivery of that work. There were more than 20 local companies and film makers who were procured to bring different perspectives and different voices into producing the digital content. There was a brand agency who was procured to deliver the website itself and I can provide names of some of those companies that were involved. The website itself is part of the assets that return to Bristol City Council now that Bristol 2015 Limited is no more so the website was designed in such a way that it could be given back to the Council as a website that could then be made available to other organisations such as the Green Capital Partnership.

The second question was specifically about the funding for the Bristol Method. We do not have details of who provided the elements of the Bristol Method. It is a wide ranging document, portfolio document, which sets out Bristol's experience as a city and as a council of delivering the work that led us to becoming Green Capital 2015. A wide variety of people were involved in producing it.'

### **Christian Martin**

'My question to the Mayor remains why did he allow £8m to be put into a separate company that provided no opportunity for councillors or members of the public to see line by line how they were spending our money.

That's supplementary one.

Second supplementary question relates to question 3 about the salaries. There is no breakdown of who received what salary other than key directors or key managers in the Bristol Green Capital 2015 team including Nicola Yates. When Nicola Yates and the Mayor removed Chris Donaldson from running Green Capital, he was on £110,000 per year and she took over, I would have expected in that role that she took over to be incorporated into her usual contractual obligations of CEO of Bristol City Council. So having secured for herself £80,000 plus £1,600 expenses, I would ask this committee to consider asking her to pay the council tax payer back.'

### **Mark Brain**

'The Bristol 2015 Limited is rightly or wrongly a separate entity in law and a private company not owned by Bristol City Council. I do not see how we can really....I mean I suppose anybody can ask a question.

I don't really see how we can ask her to pay money that she earned in an entirely different capacity. Many councillors for example have day jobs and we don't ask them to contribute part of their salary to the council if they do things we don't like. I really don't think we are on very strong ground with that one but there is nothing stopping you from calling for that in public.'

### **Statements**

<b>Number</b>	<b>Name</b>	<b>Agenda Item/Issue</b>
1	Barry Cash	Green Capital Funding
2	Councillor Olly Mead	Bristol Arena

The Statements were noted.

### **3. Declarations of interest**

None declared.

### **4. Minutes of the Audit Committee held on the 29 January 2016**

**Resolved - that the Minutes be agreed as a correct record and signed by the Chair subject to Minute No 8 (8) being re-worded to read –**

‘Selection of the Chair of Overview and Scrutiny Committee should be on the basis of their skills set regardless of party affiliation, to avoid the perception of political bias, the Legal Services team would be asked to look into this in order to make the necessary constitutional adjustments to enable this’.

**5. Action sheet**

Actions were noted and updated. (A copy of the Action sheet is held on the Minute Book).

**6. Work Programme**

**Resolved – that the Work Programme be noted.**

**7. Bristol 2015 Ltd (European Green Capital close down report)**

The Audit Committee considered a report (agenda item 7) of the Interim Service Director (Finance) and Service Director (Bristol Futures) in respect of the Green Capital year focussing on the governance, management, the allocation of public funds and external sponsorship to the Programme.

The report focused on the financial support for the year, which was provided through a mixture of public funding and other support which comprised:

- Delivery of the programme by Bristol 2015 Ltd as commissioned by Bristol City Council;
- Bristol City Council Governance Arrangements;
- Bristol City Council Internal Audit Conclusions;
- Allocation of public funds received from Department of Energy and Climate Change (DEC&C) and Bristol City Council;
- Confirmation of private sector sponsorship achieved by Bristol 2015 Ltd, both in terms of financial support and value in kind;
- Transfer of assets from Bristol 2015 Ltd to Bristol City Council;
- Risk Management;

A summary of the comments made following the presentation were -

1. The City Council and Bristol 2015 Ltd appeared to be effectively working as one organisation and therefore detailed spend should be published in accordance with the guidelines that the City Council ordinarily worked within. The Council’s City Director also being the Chief

- Executive of Bristol 2015 Ltd could be seen as unusual;
2. The working of City Council and Bristol 2015 Ltd was separate and the Audit report clearly stated that all spend had been correctly accounted for and that some of the funding had been attracted because Bristol 2015 Ltd was a separate trading company, which enabled it to achieve wider objectives. The City Director, as CEO of Bristol 2015 Ltd, had a separate and different contract to enable full responsibility for the Company. The salary of the role matched the responsibility of the position.
  3. Details of the spending, by Bristol 2015 Ltd, contained more information than some City Council accounts so the criticism of not enough information was not really justified;
  4. More clarity was needed, having regard to already published information, that money had been spent wisely and that value for money had been obtained;
  5. The details of activities, payments, proof of expenditure was clearly set out in the report;
  6. It was considered important that the debate centred on spend on Green Capital and avoided comments based on political affiliations having regard to forthcoming elections in May 2016;
  7. It was important to seek and obtain clarity to avoid sully the reputation of the City Council;
  8. Suspicions raised during the public forum were understood but it was important to understand that the reasons for using a trading company were to enable better control of spending and to attract wider funding;
  9. Several members of the Audit Committee, and members from the Overview & Scrutiny Management Board, expressed serious concern that there was no representation from Bristol 2015 Ltd to answer questions, as had been anticipated;
  10. Overview & Scrutiny Management Board members also queried the reasons why a company limited by guarantee was used as the 'vehicle' for the Bristol Green Capital project which had led to the disquiet from the public, particularly the lack of transparency with regard to the funding received from DEC&C;
  11. Concerns centred on making sure that in future processes were clear and able to be analysed particularly where large sums of public money were being spent;
  12. Not having a legal requirement to publish spend, as was the case for Bristol 2015 Ltd, should not mean that details should not be published;

At this point of the meeting the Committee was informed that Bristol 2015 Ltd had been advised not to attend the meeting as it was felt that questions would

be about the Company itself rather than controls and procedures of its operations. However given the concerns raised representatives of the Company would now be asked to attend.

The meeting was adjourned at this point pending arrival of representatives from Bristol 2015 Ltd.

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The meeting then recommenced.

The Chair welcomed representatives from Bristol 2015, Nicola Yates Chief Executive and Emma Lloyd Finance Director, to the meeting and clarified that Nicola Yates was attending in her capacity as Chief Executive of Bristol 2015 Ltd and not as a council officer.

A question and answer session followed and a summary of the comments made were as follows -

1. Information about strategic, small and neighbourhood grants would be collated centrally with a completion or progress report to the Council by the end of March 2016. A supplementary report on the Grants scheme would be produced in September 2016;
2. Disclosure of information by Bristol 2015 Ltd was not subject to the Local Government Transparency Code 2015 which required local authorities to publish all items of expenditure in excess of £500. Decisions on disclosure had been taken by the Board of Directors who were collectively responsible. Information about the £245,000 for the web site was not available at the meeting as requests for this had not been expected. It was further explained that the money was not solely for a web site but also a digital programme which included content for events and online media support for digital communications;
3. Information regarding the recipient of the £138,000 in respect of the Bristol Method was not available and as this was a new request, City Council Officers would reply in due course in accordance with the Council's Freedom of Information processes and the relevant legislation;
4. Breakdown of costs for attendance at the Paris COP21 was not available, however it was believed that the original question asked about who had attended, and as this was a new request for information, City Council Officers would reply in due course in accordance with the Council's Freedom of Information processes and the relevant legislation;

5. Regarding the ultimate recipients of the £345,000 budgeted for "city dressing" and awareness the information was not available and as this was a new request for information, City Council officers would reply in due course in accordance with the Council's Freedom of Information processes and the relevant legislation;
6. The Grant Thornton governance report would be published on a commercial and in confidence basis as agreed with Bristol 2015 Ltd. The Chair suggested that the CEO of Bristol 2015 Ltd might wish to consider responding direct to the question authors about this;
7. Bristol 2015 Ltd currently comprised three employees namely, the CEO, the Finance Director and the Digital Manager, these employees were due to leave the Company by 31 March 2016. The Company Board was meeting on 24 March 2016 to decide on the future of the Company itself;
8. There was no legal requirement for the disclosure of information and the Board did not voluntarily do this as it was a company limited by guarantee and the Audit Committee remit would not ordinarily ask for for this type of information particularly as a high level of accountability had already been demonstrated.

The Chair thanked all for attending and gave a closing commentary as summarised below –

1. The £7m from DECC was central government money and they had responsibility for overseeing that and the Audit of this money was the responsibility of the Government, not the City Council;
2. The Committee did not have line by line financial information as Bristol 2015 Ltd was, legally, a separate company and was not obliged to give that level of detailed information;
3. Complete transparency on all financial affairs might have the effect of deterring private investment however it was acknowledged that it was a question of balance and that with hindsight it might have been handled differently;
4. Regarding the City Director being CEO of Bristol 2015 Ltd, it was understood that the previous CEO had departed and had to be replaced quickly. The City Director was in a position to fulfil this role and had the necessary experience. It was considered that this was the correct decision given the circumstances at the time;
5. The report to the Audit Committee did contain an immense amount of financial detail in it;
6. Given the questions that had been asked and the amount of public interest shown, the Chair suggested that next years Audit Committee

might wish to look at this process again, in order to address the public disquiet generated on this occasion.

**8. Audit Committee Effectiveness - annual review (workshop session)**

This item was deferred until the 29 April 2016, Audit Committee meeting.

**9. Internal Audit Interim update 2015/16**

The Audit Committee considered a report (agenda item 9) of the Chief Internal Auditor regarding the interim Internal Audit update which provided details of Internal Audit work for the period 1 April to 31 December 2015.

The following points were made/clarified during the subsequent debate –

1. With regard to property tenancy fraud a member questioned if increased staffing levels would increase productivity in this area. The Chief Internal Auditor said that it could potentially but suggested that it could have diminishing returns on investment, however the ongoing benchmarking with core cities might be a useful guide to see if it would be of benefit. A report back to the Audit Committee would be made once the benchmarking had been completed;
2. Information in respect of efficiency, that was not available in the report for commercial reasons, would be provided to members outside of the meeting if requested;
3. Financial control and governance now better resourced to address concerns that had been identified by internal audit. It was questioned if a 'dip check' might be needed to ensure that progress was being made. It was confirmed that these areas would be looked at to make sure that progress had been maintained;
4. As there would be a period of induction for new members of Audit Committee in the next municipal year, it was considered that it might be useful to have a report on systems and control for internal audit explaining how these work to enable new members to identify where additional attention was needed.

**Resolved – that the report be noted.**

**10. BDO Planning report to the Audit Committee 2015/16**

The Audit Committee considered a report (agenda item 10) of the Service Director (Finance) in respect of the External Auditor's plan for work they would carry out in discharging their responsibilities on the Council's financial statements and a conclusion on the Council's arrangements for achieving

value for money.

The following points were made/clarified during the subsequent debate –

1. Social Care extra spend needed but no plan to deal with this at the current time. BDO would look at strategy, savings and draw up a plan for this. A member asked if the predicted surplus on the Council tax fund could assist with this. The Committee was informed that there was a potentially larger deficit on Business Rates so this also had to be taken into account. Audit Committee would need to debate in the near future. It was also recognised that social care spend was difficult to keep control of, due to unpredictable demand;  
Any budget shortfalls would inform the Plan once investigations had been completed. Internal Audit plan putting plan together which included risk identified by the external auditor. Also finance team working on this issue prior to closure of accounts and this would be addressed, working in conjunction with the external auditor;
2. Changes to the valuation of investment properties and highway infrastructure assets would not affect timing regarding the closure of the end of year accounts.

**Resolved – that the report be noted.**

**11. BDO External Audit progress report 2015/16**

The Audit Committee considered a report (agenda item 11) of the Service Director (Finance) in respect of BDO's progress report update for the 2015/16 audit. The report also provided members on emerging issues that the Council would need to consider as part of the preparation of its 2015/16 financial statements.

**Resolved – that the report be noted.**

**12. Members Standard items**

No items to consider.

**Information items**

**13. Update on Local Audit and Accountability**

Item noted.

**14. Business Change Directorate Risk Register**

Item noted.

**15. Members Standard items**

*No items to consider*

The meeting ended at 12.25 pm

Chair



**Audit Committee Action Sheet – 11<sup>th</sup> March 2016**

Action number	Item/report	Action and Deadline	Responsible officer	Action taken and date completed
1	Action sheet (25/9)	Report on Management of Natural Resources to be brought to a future meeting	JD	Pending
2	Action sheet (25/9)	Advise members of AC when review of financial regulations has been completed, work ongoing	MHM/AM	Pending
3	Treasury Management Strategy/Practices	Provide current figures for the servicing of the Council's debt to Councillor Mead	TW	Done figure is £12m
4	Corporate Risk Register	Concerns about risk in respect of devolution to be taken back to risk owners	MHM/AM	To be completed by next meeting 29 April
5	Annual Governance Statement	Brief Councillor Hopkins and discuss concerns raised in respect of Metro Bus project risks	MHM/AM	Part way through, still pending

**AUDIT COMMITTEE**  
DRAFT WORK PROGRAMME 2015/16

Meeting Date	Report Author	Report Details	Presented Y/N	Comments:
Friday 26 June 2015 9.30am	External Audit:	Confirm dates and times of meetings Update Report	Yes	
	Internal Audit:	Audit Plan 2015/16 Benefit Fraud Annual Report 2014/15	Yes Yes	
	Legal:	Members Standard items:  Information Items:	None	
		<i>CIPFA - Audit Committee Update</i>	Yes	
Friday 10 July 2015 9.30am	Finance:	Training on Statement of Accounts (By GT) Draft Statement of Accounts 2014/15	Yes Yes	
	Internal Audit:	Annual Report 2014/15 Draft Annual Governance Statement 2014/15 and Action Plan Update	Yes Yes	
Friday 25 September 2015 9.30am	Finance:	Final statement of Accounts 2014/15 Treasury Management - Quarter 1 Report MetroBus - Briefing on VfM and Funding	Yes Yes Yes	
	External Audit:	ISA260 Report	Yes	
	Internal Audit:	Final Annual Governance Statement 2014/15 and Action Plan Update	Yes	
		Corporate Risk Register - Discussion (papers issued in advance)	Yes	
		Transparency Code Compliance	No	Due to agenda pressure - item moved to November meeting
		Change Programme - Financial Benefits Realisation Governance	No	Due to agenda pressure - item moved to November meeting
		Markets Financial Operation - Further Update	No	Due to agenda pressure - item moved to November meeting
		No		

Meeting Date	Report Author	Report Details	Presented Y/N	Comments:
	Officer:	Markets Charter Application	No	Due to agenda pressure - item moved to November meeting
		Bristol 2015 Update.	No	Due to agenda pressure - item moved to November meeting
		An Overview of the Scrutiny Function	No	Due to agenda pressure - item moved to November meeting
	Legal:	Members Standard Items		
		Information Items: Treasury Management 2014/15 Annual Report	Yes	
Friday 27 November 2015 9.30am	External Audit:	Annual Audit Letter		
	Finance:	Treasury Management - Mid-year Report		
	Internal Audit:	Internal Audit Half-Year Report 2015/16 Transparency Code Compliance Markets Financial Operation - Further Update		
	Officer:	Bristol 2015 - Update Report Markets Charter Application		
	Legal:	Members Standard Items:		
		<b>Information Items:</b> Directorate Risk Registers CIPFA Better Governance Forum Update.		
		<b>Deferred Items:</b> Change Programme - Financial Benefits Realisation Governance	No	Deferred due to interim reporting protocol.
		Risk Management Annual report 2014/15	No	Reporting re-aligned with financial year. Full report in April 2016
		Bristol Code of Corporate Governance - Update	No	Full update delayed to allow for impact of 2016 all out elections.
		An Overview of the Scrutiny Function	No	For discussion.





# Audit Committee

29<sup>th</sup> April 2016



**Report of:** *Senior Information Risk Owner*

**Title:** *Update on Information Security*

**Ward:** *n/a*

**Officer Presenting Report:** *Information Security Manager*

**Contact Telephone Number:** *0117 9036927*

## Recommendation

*The Audit Committee notes the information in the report*

## Summary

*This report includes;*

*Update on the Information Security Risk in the Corporate Risk Register*

*Update on the cyber incident response actions and plans*

*Update on future plans for Information Security Training*

*Update on Information Asset Owners*

**The significant issues in the report are:**

*The overall Information Security risk to the authority remains at Amber*



## Policy

1. <The council's Information Security Policy is available at <http://intranet.bcc.lan/ccm/content/file-storage/css/ict/ict-service/information-security-policy.en>

## Consultation

2. **Internal**  
*Plans to improve security are agreed by the Information Assurance Board.*
3. **External**  
*Security plans and standards conform to external recommendations, in particular those of the central government authority on Information Assurance, CESG – <http://www.cesg.gov.uk>*

## Context

4. *Audit committee last received a report in November 2014. Members asked for an update report which is set out below. In addition, it should be noted that since the last report there has been a notable increase globally in cyber related threats. Phishing E-mails which aim to trick the recipient into handing over credentials or opening infected attachments are now being sent to most large organisations. In response to this we have implemented a number of technical and non-technical measures.*
5. **Critical Cyber Incident Response**  
*In December 2015 Bristol (and a number of other large organisations within the region) received a large number of Phishing E-mails. Bristol City Council systems were not significantly compromised during these attacks and the Council's overall functioning and services were not affected. Nevertheless, the attacks and their impact did demonstrate a need for further security measures and for increased staff training.*

*In light of the increase locally and nationally in cyber incidents, the council has taken the following actions*

- *Taken a call off contract with BAE Systems  
This contract is designed to deliver specialist technical cyber support services to the council as necessary.*
- *Developed a Critical Cyber Incident Response procedure to support invocation and management of this contract.*
- *Conducted a Cyber Incident Exercise – “Bristol Live & Unplugged”. The purpose of this exercise was to help prepare the council to continue to deliver key services in the event that IT services were not available. There will be a series of these cyber exercises as we build upon our learning.*
- *Bristol took part in a cyber resilience exercise with DCLG. This is part of a national initiative to further increase cyber resilience within councils.*

*A budget of £132,000 has been allocated from within an existing revenue budget for 2016/17 to support cyber resilience in line with the council's move to a more on line digital customer environment.*

**6. Information Security Training**

*The 2015/2016 training has been launched by Alison Comley (SIRO) in February. We have put steps in place to achieve 100% compliance in this training. All staff are required to complete the training by the end of May 2016. We are also working with the Information Assurance board members to promote the training. A further report to confirm progress against the plan will be made available to the committee in due course.*

**7. Information Asset Owners**

*Following recent organisational change we have identified new IAOs and increased their number to 14. These roles have clearly defined responsibilities and will report annually to the SIRO as part of the Information Security governance framework. To support the IAOs in their work we have also identified 15 Lead Information Custodians.*

*Key responsibilities include;*

- *Understanding the information owned and addressing any risks*
- *Setting data quality standards*
- *Driving the strategic re-use of information*
- *Authorising Information Sharing Protocols*

**8. Public Sector Network (PSN)**

*Bristol continues to utilise the Public Services Network to access other government services. We are building strong relationships with the PSN authority, and reflecting challenges for Bristol into the ongoing development of this service.*

*Annual penetration testing is now undertaken on a quarterly basis. This will ensure a state of continuous compliance. We have also assigned an officer to manage this process and compliance on an ongoing basis.*

**Proposal**

**9.** *Audit Committee are asked to note the information in the report*

**Other Options Considered**

**10.** *None relevant*

**Risk Assessment**

**11.** *Information Security remains at Amber on the Corporate Risk Register. The actions reported here will continue to mitigate that risk.*

**Public Sector Equality Duties**

**12a).** *Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the*

need to:

- i) *Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.*
- ii) *Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --*
  - *remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;*
  - *take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);*
  - *encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.*
- iii) *Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –*
  - *tackle prejudice; and*
  - *promote understanding.*

**12b).** None relevant

## **Legal and Resource Implications**

### **Legal**

*None sought*

### **Financial**

#### **(a) Revenue**

*No implications at present, the £132k is built into the revenue budget for 2016/17.*

#### **(b) Capital**

*Not applicable*

**Kevin Lock Finance Manager 21<sup>st</sup> April 2016**

### **Land**

*Not applicable*

### **Personnel**

*Resource implications for all staff to be fully trained on Information Security. Also potential for disciplinary proceedings against individual members of staff*

***Alex Holly People Business Partner 21<sup>st</sup> April 2016***

**Appendices:**

*None*

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

**Background Papers:**

*None*

**BRISTOL CITY COUNCIL**

**AUDIT COMMITTEE**

**29 April 2016**

**Report of:** Patricia Greer, Service Director - Policy, Strategy & Communications, Business Change

**Title:** Partnership working in Bristol

**Ward:** Citywide

**Officer Presenting Report:** Kay Libby, Service Manager – Strategic Planning

**Contact Telephone Number:** 3-7369

**RECOMMENDATION**

Audit Committee is asked to note the progress made in respect of a number of risks related to partnership working. The purpose of this paper is an update for information.

**Summary**

Audit Committee requested an update on the risks relating to partnership working that are set out in the Corporate Risk Register. The risks are set out in a number of places and will be addressed in turn as they appear in the appropriate section of the Risk Register for ease of reference.

**The significant issues in the report are:**

The high level overview to note is that:

- work has been undertaken to ensure good governance around the development of strategy/policy and the running of partnership boards. This will have a beneficial outcome on the development of the City Vision as well as the corporate planning process.
- The Social Value Policy and Toolkit have been welcomed by all partners, Overview & Scrutiny Commission and approved by Cabinet in February 2016.

## Policy

1. The Corporate Risk Register requires the following:
  - a process and timing to develop the next Corporate Plan, Directorate Plans and Service Plans after the 2016 election.
  - Mapping of non-core ('lower level') partnerships
  - The development of a Social Value Policy and Partnership Toolkit.
2. The Council must comply with internal controls and effectively meet the framework of obligations within the statutory annual Governance Statement and the Code of Corporate Governance. A complete list of the Council's key policies, statutory and non-statutory, is therefore required.

## Consultation

3. **Internal**  
**Mapping and Governance: Partnerships, Strategies and Policies**  
Planning staff across the Council have been consulted. The Strategic Leadership Team has been consulted on the criteria that make a partnership one of the 'core' City Partnerships.

### **Social Value Policy & Toolkit**

To inform the development of the Social Value Policy & Toolkit, consultation was undertaken with commissioning and procurement staff in the Council and there were close links with Overview & Resources Scrutiny Committee and regular meetings with the Committee's lead councillor for Social Value.

4. **External**  
Wide external consultation was undertaken as part of the development of the Social Value Policy & Toolkit:
  - Policy & Toolkit were developed by a multi-agency working group
  - Voluntary Sector consultation workshop via VOSCUR
  - SME consultation workshop via Federation of Small Businesses
  - An online survey promoted to all stakeholders
  - BEING consulted to enable a full consideration of equalities impact.

## Context

5. Section 2 of the Corporate Risk Register relates to Organisational Achievement and Resilience. It references risk management in place for 2015/16 to ensure that plans are in place to link the Corporate Plan outcomes and strategic themes to directorate, team and individual activity and requires that a further process and timing be developed for after the 2016 mayoral election. It is confirmed that this work is firmly underway. On 19 April, the

Strategic Leadership Team considered proposals for the process to develop the next Corporate Plan, Directorate Plans and Service Plans after the election. Officers will return to SLT in May 2016 with revised proposals. A detailed slide showing the high level proposals that went to SLT on 19 April is attached at Appendix 1 for information.

**6.** Section 3 of the Risk Register deals with Governance and includes further mitigating actions to:

**6.1.** Map all of the local partnership boards which the Council is a member of and to distinguish between those which are aiming for system change; and to

**6.2.** develop a complete list of the Council's key policies including statutory and non-statutory policies and monitoring when these policies require refreshing.

**7.** It can be confirmed that the Strategic Leadership Team has approved the mapping of City Partnerships (the 'core' partnerships that will inform and be influenced by the City Vision) at their meeting in April 2016. The mapping of other strategic (but not 'core') partnership boards has also been completed. Appendix 2 shows the high level results of this mapping.

**8.** The mapping of policy/strategy has also been completed and shared with the Strategic Leadership Team. Slides showing the outcome of the mapping are included in Appendix 2. The slides in Appendix 2 also show the relationship between the City Vision and Corporate Plan with the partnerships (which will have annual strategies) that have been confirmed as 'City Partnerships'.

**9.** The completion of this work now provides the opportunity for officers to review the Council's membership of all partnerships and to ensure that resources are focused effectively and that there is a decision making route into the City Partnerships. The Risk Register will be updated to show that this work will be undertaken by June 2016.

**10.** A further piece of mitigation under Section 3 of the Risk Register relates to setting up a process for staff to follow before the Council is committed to a new partnership. There are proposals in hand to use Nimbus and Alfresco to enable this further level of governance and a timeframe for action will be provided to the Group Auditor by May 2016.

**11.** To further illustrate that the strengthening of partnership working at a city level is underway, the following example of the Health & Wellbeing Board is given:

**Case study: Bristol Health and Wellbeing Board (HWB)**

In 2014, the Council changed its Constitution to enable the Mayor to take Key Decisions at the Health and Wellbeing Board. This was the first partnership board that this applied to. Now the Learning City Partnership Board and the Property Board are similarly enabled.

Bristol HWB recently achieved “Highly Commended” status in the LGC Awards, for the category “Effective Health and Wellbeing Board”. This was largely due to the innovative governance – ie. the taking of Key Decisions.

The HWB is the governing body for the Bristol Better Care Programme, which is tasked with the integration of parts of the health and care budgets. The HWB holds to account on the delivery of this programme.

The Health and Wellbeing Board does not have a dedicated budget. In line with other partnership boards, the model of working is to draw in resources from partners and add value by collaborative working.

**12.** Section 3 on Governance in the Risk Register contains further mitigating actions around the development of a Social Value Policy and Partnership Toolkit. It is confirmed that these have been developed with input from a multi-sector working group. The Policy and Toolkit were agreed by Cabinet in February 2016 and the policy is now at the implementation stage. The lead for this stage is with Head of Legal, but pending the appointment of a new Head of Procurement, the PSC team will continue to take the work forwards. The first task is to set up a new and broader multi-sector advisory group to inform and help monitor implementation. Work to identify measures that capture both financial and social value is underway and continuing. The Policy and Toolkit are attached at Appendices 3 and 4 respectively.

**Proposal**

**13.** That the work undertaken to date be noted. Officers will update the Risk Register in respect of further mitigation actions underway:

- Review of membership and purpose of non-core partnerships (not City Partnerships) to ensure resources are focused effectively via annual strategic plans and that there is a clear decision making route into the City Partnerships
- Process for staff to follow before the council may be committed to a new partnership is drawn up
- Ongoing work to develop the suite of measurements to evidence financial and social value.

## Other Options Considered

14. These actions are essential to strengthen governance and to enable the opportunities in the Single Change Programme.

## Risk Assessment

15. The implications for of not pursuing these particular courses of action are recorded in the Corporate Risk Register.

## Public Sector Equality Duties

- 8a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
- i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
  - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
    - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
    - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
    - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
  - iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
    - tackle prejudice; and
    - promote understanding.
- 8b) An Equalities Impact Assessment will be undertaken as part of a wider piece of work to agree the process for engaging with partners on the development of the City Vision and the Corporate Plan.

- 8c) A full EqIA was undertaken to develop the Social Value Policy and Toolkit.

## **Legal and Resource Implications**

### **Legal**

Robust and transparent decision making and partnership working, will promote good governance within the Council and across the City. Clear terms of reference and legally compliant decision making processes will ensure that decisions are taken in the appropriate fora, taking into account relevant considerations such as policies and strategies of both the Council and its partners, with appropriate consultation and in a timely manner'.

**(Legal advice provided by Shahzia Dyer, Interim Service Director, Legal & Democratic Services)**

### **Financial**

#### **(a) Revenue**

*<Consult Finance Division>*

#### **(b) Capital**

*<Consult Finance Division>*

**(Financial advice provided by *<Insert name and job title>*)**

### **Land**

*Not applicable*

### **Personnel**

*Not applicable*

## **Appendices:**

Appendix 1 - Vision & Planning slide deck, 19 April 2016

Appendix 2 – Partnerships and Strategies mapping

Appendix 3 – Social Value Policy

Appendix 4 - Social Value Partnership Toolkit

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

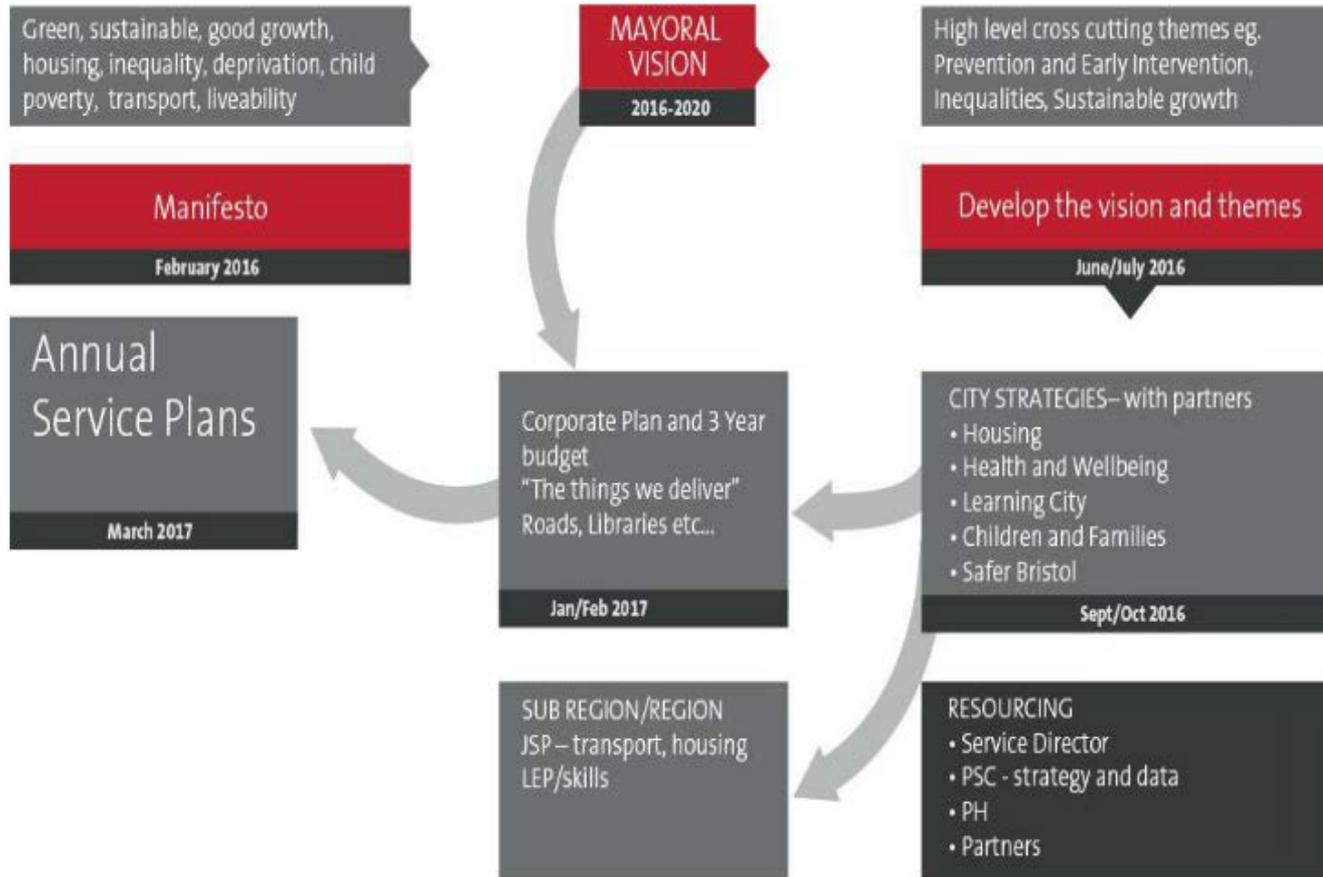
### **Background Papers:**

None



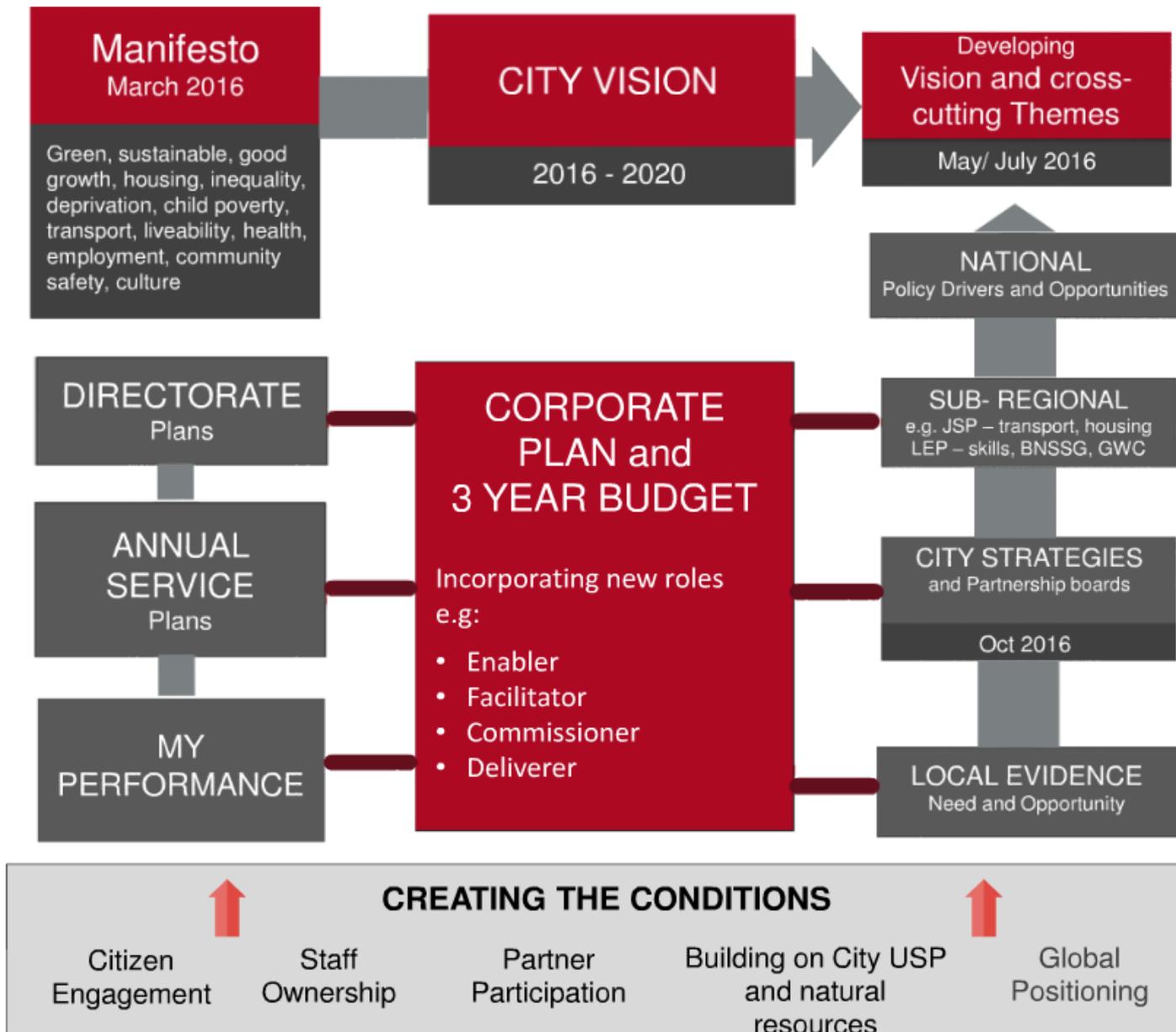
# The First Draft

## 1. Recap and Timeline



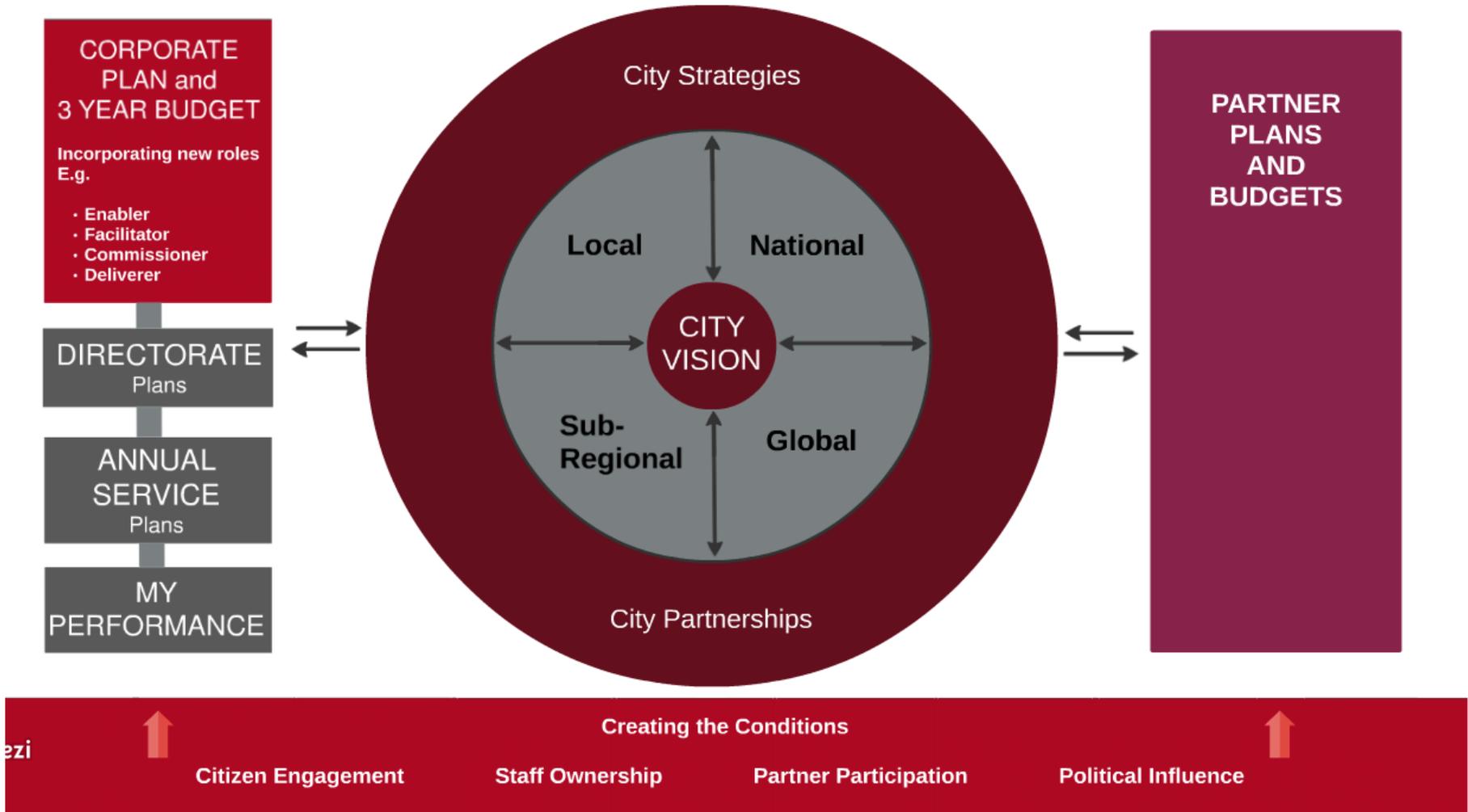
## 2.a. Overview of planning framework

# The Local Authority Framework



## 2.b. Overview of planning framework

# The Wider Framework – relevant to us and our Partners

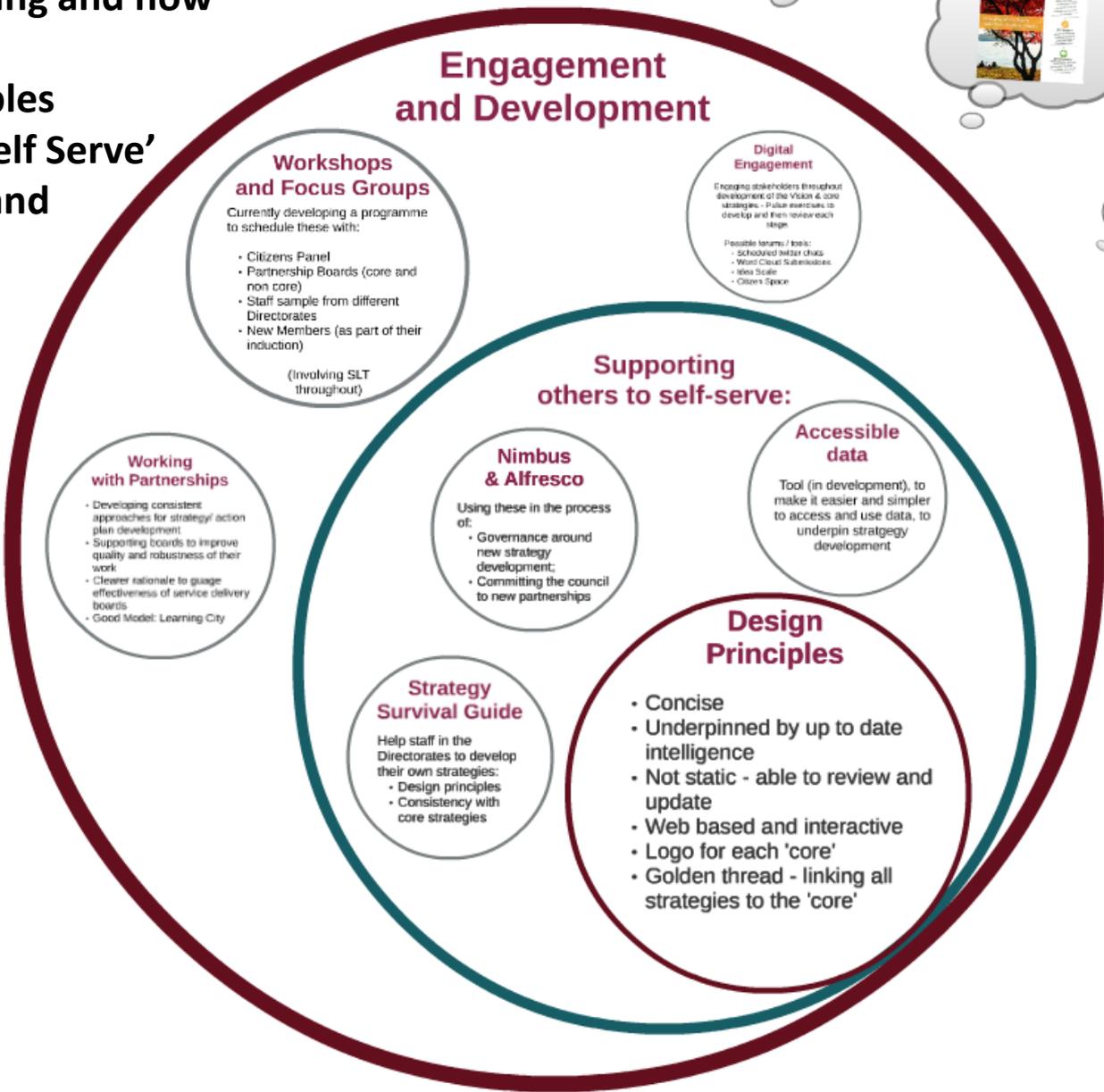


# What are we doing and how are we doing it?

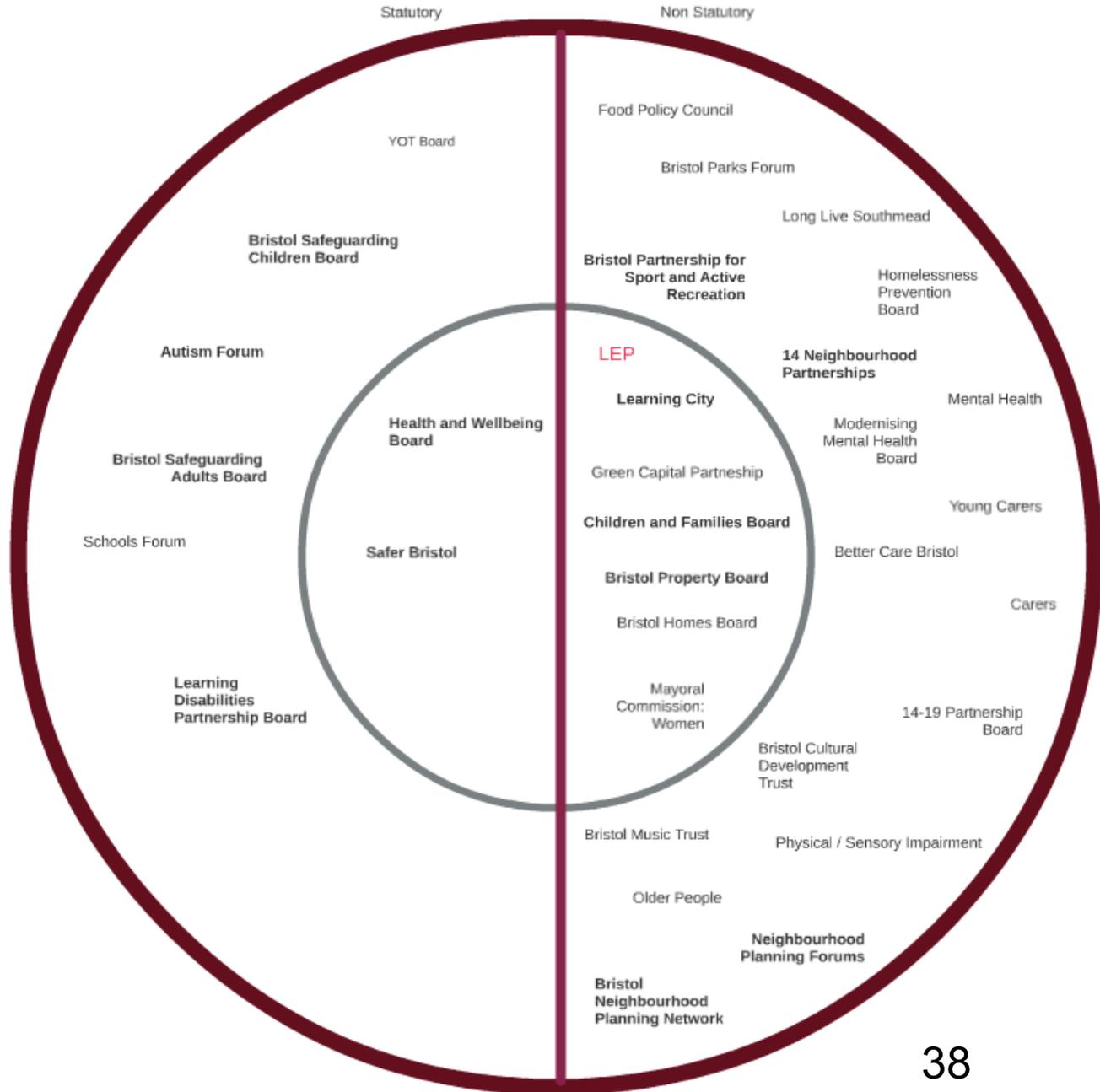
## 5. Design Principles

## 6. Supporting 'Self Serve'

## 7. Engagement and development



# 9.a. Partnerships



## Core Partnerships

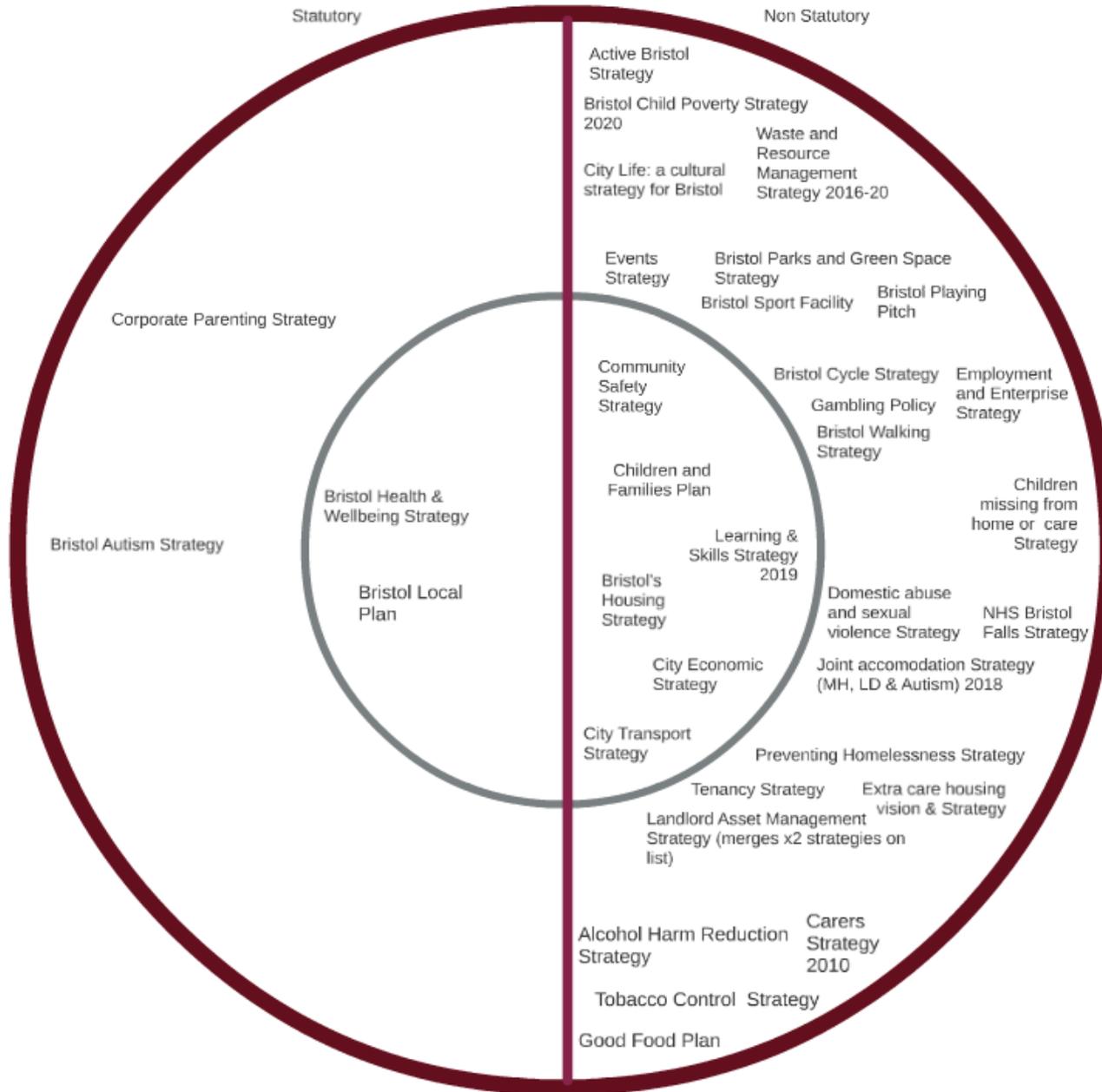
- Citywide
- Strategic, decision-making partnerships
- Ongoing
- BCC lead or joint lead
- Aim to deliver 'system change'
- Statutory or Mayoral lead
- Important in shifting the council's role, enabling partners to deliver City Vision and have potential for making significant savings

## Important, not core

- Not citywide
- Operational boards/business as usual
- Time limited boards
- Boards with external leads
- Not aiming for system change
- Non-statutory and Mayor doesn't lead



# 9.b. Strategies



## 'Core' City Strategies

- Co-produced with partners via city partnership led by the Mayor
- Partners are *responsible* for actions that contribute to City Vision, proactively contribute ideas and resources
- Aim for 'system change'
- Have potential to enable significant savings and/or to enable Council's role to change
- Citywide

## Other strategically important

- Are not developed by a city partnership led by the Mayor
- Partners may be involved, but are not proactively contributing resources or aligning their business plans
- May be service or area specific
- Not aiming for system change
- Not citywide



# Social Value Policy 2016

DRAFT

*Correct at: 271st January 2016*

## Introduction

Bristol has a growing reputation as the most liveable city in the UK and the Council is committed to making that a reality for everyone. This means supporting people to reach their potential and creating successful places for everyone to live, work and play. Social value is about maximising the impact of public expenditure to get the best possible outcomes, and recognising that local people are central to determining how these can be achieved, and what it is that makes Bristol a successful city.

The Council recognises the important role it can play in enabling sustainable development through its procurement activity. In 2014/2015 we spent approximately £330 million via procurement. Through our approach to social value, we will integrate economic, environmental and social sustainability into our procurement process

This policy outlines the approach that will be taken in order to ensure that all resources are used wisely, that we protect and enhance the environment whilst ensuring the efficient use of resources and delivery of value for money. An accompanying Toolkit has been created to support colleagues across the council, particularly commissioners and procurement officers, and potential provider organisations in any sector ('providers') to embed social value in how we achieve outcomes for local people.

There is no 'one size fits all' model for achieving social value; it is an area where providers and commissioners nationally are learning about how best to achieve and evidence it. The aspirations of this Policy and the guidance within the Toolkit will continue to be informed by national developments and our local learning.

## What is Social Value?

The Public Services (Social Value) Act 2012 requires for the first time, all public bodies in England and Wales to consider how the services they commission and procure might improve the economic, social and environmental well-being of the area. It asks public bodies to consider the ways that they could most benefit society as part of each decision made.

Social value requires commissioners to think about how they achieve outcomes in a more integrated way. Rather than thinking about services in isolation or in the short term, this approach requires commissioners to consider long term costs and sustainability and how inclusion of additional social value outcomes can potentially reduce pressures in other areas.

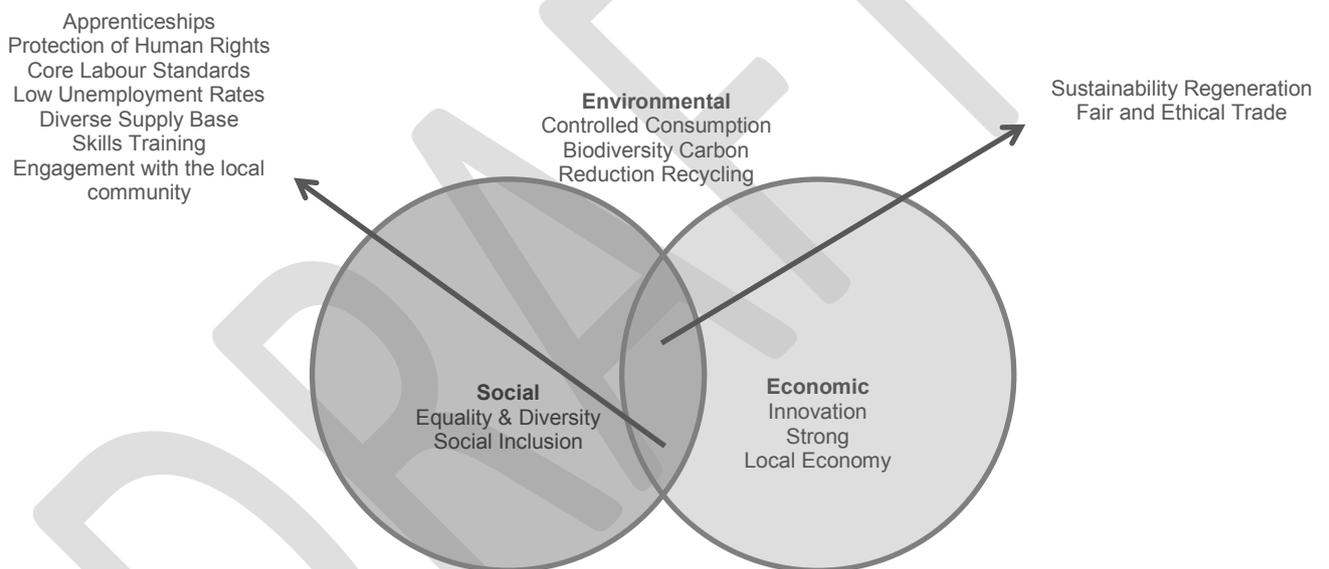
For example, Social Enterprise UK suggest that in practice this could mean that a mental health service is delivered by an organisation that actively employs people with a history of mental health problems to help deliver the service. Social value outcomes are achieved as a result of the person with mental health problems:

- having a job where they may otherwise have been unemployed

- becoming more socially included, and
- having a say in how mental health services are run. It also means a local job for a local person.

In this example investing in a service to improve mental health also has a positive impact on other strategic objectives of increased employment and social inclusion. This way of working promotes an integrated and coherent approach to the delivery of city priorities.

In many ways, a focus on social value is an extension of the “three pillars of sustainability<sup>1</sup>” – society, the economy and the environment. As a consequence, where commissioners are already choosing a “sustainable” route through procurement they will also be providing social value to their area. Examples of social value outcomes that fall under these “three pillars of sustainability” are set out in the diagram below:



**Economic**<sup>2</sup> contributions to the local economy and economic growth that supports social outcomes. Retaining, re-circulating and leveraging funds in local areas – a wider contribution to skills, tackling worklessness and maintaining employment.

**Example: Increasing local employment**

**Social outcomes** contribute to a vibrant and healthy community. Community based actions. Equality, diversity, inclusion and cohesion - local relationships, partnerships and people we find it harder to reach.

**Example: Reducing anti-social behaviour**

**Environmental outcomes** are about protecting, promoting and enhancing the environment. Supporting local activities to improve the environment.

**Example: Reducing local congestion**

<sup>1</sup> Extract from Anthony Collins Solicitors, Social Value and Public Procurement, a Legal Guide January 2014

<sup>2</sup> Based on extract from Islington Council' "Commissioning, procuring and contract managing Social Value in Islington Supply Chain" (2013)

## Aims and Objectives of the Policy:

The overarching intent of this policy is to ensure commissioning activity maximises social, economic and environmental benefit for the city while delivering value for money. Our aims are:

1. To further our sustainable procurement objectives to protect and enhance the environment
2. To promote the local economy by supporting micro, small and medium sized enterprises and the voluntary and community sector in Bristol to thrive
3. To tackle disadvantage and address inequalities of health, wealth and opportunity in the city
4. To involve local people and organisations in how we meet the needs of local communities through the commissioning cycle

## Objectives:

In order to achieve our aims we will:

1. Involve local people and organisations in determining social value outcomes by beginning engagement and/or consultation at the earliest possible opportunity in a commissioning process.
2. Agree proportionate and relevant social value outcomes with the marketplace at pre-procurement stage, and ensure that they are linked to the strategic priorities in the Corporate Plan.
3. Apply a methodology that ensures 10% of the quality element of the price/quality ratio will be allocated to social value, when it is identified in the commissioning process that additional social value outcomes are relevant and appropriate.
4. Spend at least 25% of the Council's total procurement budget with micro, small and medium size businesses, social enterprises and voluntary / community organisations in 2016/17 and be ambitious in our endeavour to improve on this figure.
5. Work with internal staff, the marketplace and communities to improve understanding of social value, our Policy and evaluation methods.

## The Principles of the Policy

The following principles underpin our policy, and have been developed through discussion with partners:

- **Creativity**
  - To use social value as a platform to encourage innovation both within and external to the Council
- **Flexibility**
  - To embed flexibility and a 'can do' approach to social value to secure the best outcomes by opening up the commissioning/procurement process to a broader range of organisations and businesses
- **Collaboration**
  - To develop a shared vision for social value between the Council, communities, stakeholders and organisations and businesses to benefit the whole city.
  - To promote collaboration within the Council so that procurement processes impact on shared priorities for the city.
- **Leadership**
  - To ensure key messages are effectively communicated and progress is monitored with strong leadership, guidance and co-ordination, making sure the Council delivers an effective social value policy
- **Sustainability**
  - To recognise longer term social value outcomes over quick wins.
- **Equality**
  - To ensure that groups with protected characteristics participate in the shaping, delivering and monitoring of our social value policy.

The Public Services Act requires public bodies to consider social value in service contracts (and contracts for goods or works where there is a service element) above a prescribed financial threshold. However our implementation of the duties in the Act will be as wide as practicable so that we can achieve maximum impact.

This policy does not set out a single approach to the creation of social value in Bristol. However, social value will be considered during the commissioning cycle and procurement process of all contracts, including those that are below the EU Procurement Thresholds. Proportionate and relevant social value requirements will always be included in contracts.

Engagement with people and communities is vital to encourage innovation and ensure services are well designed for the people who use them. Engaging and consulting at the earliest opportunity will enable us to find out what the potential social benefits could be and to learn about benefits that we may not have considered. Knowing what local providers can offer also avoids the Council asking for outcomes which are not relevant or proportionate to what their business or organisation can deliver. It also helps us to take into consideration the needs of smaller providers.

Commissioners are required to determine social value outcomes in discussion with providers at pre-procurement stage. Outcomes should be proportionate and relevant to a contract and linked to the strategic priorities in the Corporate Plan. This ensures that social value is:

- *relevant* to our strategic objectives
- *valuable* in terms of meeting specific needs that have been identified and supporting a wider strategy to meet these needs.

The Strategic Outcomes sought by our Corporate Plan are:

Theme	Outcomes
Healthy & Caring	A city where the cared for and the caring, young and old are respected and valued members of our society; and where healthy, happy and safe lives and homes are shared aspirations for every citizen
Keep Bristol Working & Learning	A learning city where every citizen has access to good education and is able to acquire the skills they need to join Bristol's world class workforce
Keep Bristol Moving	A city where public transport provides an affordable quality alternative to the car, where streets are no longer clogged with traffic, our air is cleaner and it is increasingly attractive to walk and cycle
Building Successful Places	A city of well-connected neighbourhoods with a strong sense of identity and belonging, where a diverse mix of housing types and tenures ensures that homes are increasingly affordable to all that need them including the most vulnerable
Vibrant Bristol	A city where the streets are alive with activity and where every citizen and community participates in the cultural life of our city
Global Green Capital	To harness the energy of everyone in the city to maximise the opportunity of our Green Capital status as a platform for promoting the city on the world stage, to attract investment and jobs
Active Citizens	A city where we celebrate and champion the diversity of our population and every individual, organisation, business and community is encouraged to play an active role in the life of the city
Addressing Inequality	Working to address inequalities of health, wealth and opportunity in the city, by providing the right kind of help and support, at the right time
Empowered City	A city more in control of its own future and where its governance is modernised
Flexible & Efficient Council	A city where it is simpler for individuals and organisations to seek information, request services and engage with the Council and transforming the way we work at a whole council

The Council's position on priorities for social value outcomes will be considered as part of the annual review of the Policy in order to ensure equity and fit with overall corporate strategy. When the Corporate Plan is next rewritten/revised, a more prescriptive framework for social value outcomes may be developed in dialogue with partners.

## Social Value and Equality

Where social value is considered as part of a commissioning exercise, the public sector Equality Duty will continue to apply. This means that equality will continue to be considered at every stage of the commissioning cycle, including consultation at pre-procurement stage. The Social Value Act and the Equality Act thus complement each other.

The public sector Equality Duty is defined by the Equality Act 2010. It requires public bodies to respect the needs of all individuals when shaping policy and delivering services. As part of this, public bodies must consciously consider protected characteristics such as age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, pregnancy and maternity, and marriage and civil partnerships.

The Equality Act requires that public bodies have due regard to the need to:

- eliminate discrimination;
- advance equality of opportunity; and
- foster good relations between different people.

These points link naturally to our social value priorities which are set out in the Council's Corporate Plan. For example, the Corporate Plan includes a cross-cutting objective to 'address inequalities of health, wealth and opportunity in the city'. Other objectives, such as 'Keeping Bristol Working and Learning', emphasise that every citizen should have access to a good education and the skills they need to build a successful career. It is thus a central aim of the Social Value Policy to promote positive equality outcomes.

## Implementation of the Policy

The implementation of the policy will require:

- Application of the accompanying Social Value Toolkit
- Embedding processes for measuring impact on objectives
- An Action Plan for supporting micro, small and medium sized businesses (<250 employees) including social enterprises and voluntary/community organisations and diverse suppliers
- Positive action in respect of organisations of and for equalities groups or groups of people with protected characteristics.

- A programme of training and development for internal staff and the marketplace.

The **Social Value Toolkit** provides detailed guidance on the processes required to embed social value in how we achieve outcomes for local people. The Toolkit will continue to be developed in partnership with stakeholders via a cross-sector challenge group.

We aim to spend at least 25% of the Council's total procurement budget with micro, small and medium size businesses, social enterprises and voluntary / community organisations in 2016/17. In order to be able to identify progress towards this target we will **expand our monitoring** to include the size, sector and location of the organisations that we commission, directly and indirectly (through the supply chain).

Our current baseline is 16% but this reflects a narrower cohort as it represents the Council's spend with small to medium enterprises only<sup>3</sup>. The first year of implementation will produce a new baseline that takes in the wider definition of size and sector. We will use employee 'head count' to define micro, small, medium and large businesses and categorise these in the following way:

Category	Number of Employees
Micro	0 – 9
Small	10 – 49
Medium	50 – 249
Large	250+

We will use provider postcode data from the new e-procurement system to establish a baseline for local spend for the first time. This can be analysed against spend and business /organisation size.

In order to support progress towards this target we will agree and deliver an **Action Plan** for supporting micro, small and medium sized businesses (<250 employees) including social enterprises and voluntary/community organisations and diverse suppliers<sup>4</sup> to bid for contracts with the Council. We anticipate that many of these will be local organisations.

This Action Plan will also take account of the need **for positive action in respect of organisations of and for equalities groups or groups of people with protected**

<sup>3</sup> The 16% baseline of known current spend with SMEs is based on direct spend and does not include indirect (supply chain) spend. Raw data is based on spend reports that are analysed to identify organisation size. In future the plan is to utilise the improved data capability of the new e-Procurement system to enable reporting to include geographical makeup of our suppliers, the supply chain and indirect spend.

<sup>4</sup> Small and medium sized enterprises, black, minority ethnic owned enterprises, those with majority ownership/ leadership from a group protected by legislation and voluntary and community sector organisations.

**characteristics.** The Action Plan will seek to nurture positive relationships and promote the engagement of these organisations in tendering. This would include for example actions required to ensure that engagement on social value with the marketplace and communities at pre-procurement stage is accessible to equalities groups, including older people, people with disabilities and BME communities.

We will communicate the Policy to all internal staff, providers and partners and develop a **programme of training and development** to improve understanding of social value and our approach and practice. This will include a specific focus on smaller providers and also seek to build social value commissioning expertise within evaluation panels and for the development of evaluation criteria.

The Social Value Policy will inform the ongoing development of the **Council's Commissioning Framework** and contracts that include social value outcomes will be managed in line with this framework. This includes compliance with relevant UK and EU statutory regulations and legislation.

## Evaluating Our Approach

We will evaluate the impact of this Policy to show how we are delivering on our aims and objectives. As part of this, we will conduct an annual review of the Policy and the way it is applied. We will also further develop our understanding and use of different evaluation techniques to show which interventions are successful in producing positive social, economic and environmental outcomes in Bristol.

### Reviewing our Social Value Policy

We will report annually on the Policy's objectives and implementation to:

- The Business Change & Resources Scrutiny Commission which is comprised of elected members.
- A cross-sector challenge group which will include Council officers from procurement and performance management as well as representatives from the business sector, the VCS and equality groups.

This will provide an opportunity to adjust our approach as we learn from current practice and feedback. The following information will be made available as part of the annual review:

- Collated performance monitoring information about all contracts delivering social value outcomes in the relevant financial year. This will include postcode data analysis of providers (both potential and successful) as well as feedback from providers, communities and other stakeholders;
- Total spend with micro, small and medium size businesses, social enterprises and voluntary / community organisations which demonstrates our performance against the 25% spending target;

- Evidence of how local people and communities have been involved in determining social value outcomes;
- Minimum one case study of a commissioning process where the social value policy has been applied;
- [From Year 2:] A year-on-year comparison showing progress towards social value outcomes. This will also analyse how much of our procurement spend has been re-circulated into the local economy. Analysis of how the Policy benefits the local economy providers re-spend funds to support the local economy.

### Developing our methodology

Social value evaluation is a rapidly evolving field. Over 1,000 different metrics are being used around the globe to measure social value, ranging from carbon emissions over jobs created to the Happiness Index. There is currently no 'gold standard' but we can broadly distinguish between financial indicators (measuring, for example, how much money an intervention saved) and non-financial indicators which track progress towards social outcomes (e.g. whether a person feels more connected, more empowered or less isolated).

We will work with independent experts and partners to further build our understanding of measurement techniques. This will involve (1) working with colleagues across the Council and city partners to share expertise and best practice on streamlinesocial value measurement and evaluation techniques and to share expertise; and (2) working with the wider public sector to exchange best practice on evaluation and consider joint approaches, particularly to financial measures.

We will continue to adjust our methods as we learn and will involve providers and communities in this process.

# Creating Social Value in Bristol

Policy and Partnership Toolkit for  
Commissioners and Providers  
2016



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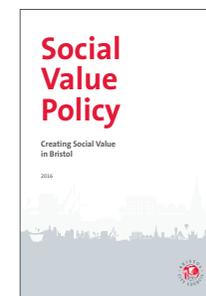
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This document accompanies the **Social Value Policy – Creating Social Value in Bristol**.



This Partnership Toolkit has two parts. The first is our **Guidance for Provider Organisations**, the second is our **Guidance for Commissioners and Procurement Officers**, responsible for commissioning and procurement on behalf of the Council.

## Using this toolkit

Where you see a **grey text box** you will find a case study we felt illustrated a good example of social value that would contextualise a preceding point. We are actively seeking ‘local’ case studies that will replace those included.

Look out for the handy jargon busters where you see this symbol ◦

Clickable links are underlined like this.

The list of **contents** on the left, and the **menu bar** below are clickable to help you navigate around the content.

# Introduction

In order for our city to reap social benefits, we have  work in partnership, so that we can identify commission, procure, deliver and secure social benefits. This approach not only applies to our own activities, but also to engaging with those other organisations that commission and procure services in the City and neighbouring authorities. The Council wants to capture the differing perspectives of everyone involved with commissioning<sup>o</sup> and procurement<sup>o</sup> in Bristol.

This toolkit has been developed in partnership with Voscur, the local organisation that supports, develops and represents Bristol's voluntary and community sector and the Federation of Small Businesses, the UK's largest campaigning pressure group promoting and protecting the interests of the self-employed and owners of small firms.

The process we use when we are thinking about the services we need, allocating resource and/or buying, is called the 'commissioning cycle'. We include social benefits when we commission and review services. This process is also applied to services provided by the Council.



Sometimes the Council's internal service providers compete for an opportunity to provide services alongside external organisations.

## What the toolkit will do

This toolkit will follow the commissioning cycle used by the Council. It complements the Council's Enabling Commissioning Framework.

More information about the Enabling Commissioning Framework can be found here.

The toolkit explains how we commission services and it will answer questions about when and where we will look for opportunities for social benefit.

### Jargon Buster:

**Commissioning** is the process of specifying, securing and monitoring services to meet people's needs at a strategic level. This applies to all services, whether they are provided by the local authority, NHS, other public agencies, or by the private and voluntary sectors.

**Procurement** is the process of acquiring goods, services and construction projects from providers/suppliers and managing these through to the end of the contract or disposal of assets.



The toolkit will also:

- Explain how social value can help us achieve our priorities
- Explain what provider organisations and communities can expect from the Council
- Provide guidance for provider organisations preparing for and giving social value
- Explain how social value can be applied and embedded throughout the commissioning cycle
- Provide some sample outcomes and measures of social value

We have used a range of case studies<sup>1</sup> to show how social benefit has already been achieved in Bristol and elsewhere and encourage new and innovative ideas.

<sup>1</sup> Courtesy of Cabinet Office, Social Value Review Report 2015. [Report can be read here.](#)

## Legal Framework and Local Policy Context

We are using the Social Value Act to help us to achieve the ambitions we have for the people and communities of Bristol. The following key targets and pledges fall within the scope of social value and will be used as sources of reference during the implementation of social value.

These include:

- The UN Sustainable Development Goals that were launched during 2015. They have broadly the same scope as the legislation, but identify 17 specific goals. These will be referred to because they are very high profile are likely to be subject to a significant level of public interest, and because they are useful in breaking down the broad overall concept of social value into more manageable topics. [More information here.](#)
- High profile public pledges made by the council (such as carbon neutrality by 2050) will be considered when implementing the policy.

- High profile campaigns run by the council (such as Learning City) will be considered when implementing the policy.
- Circular economic concepts are a good way to help people to consider alternative methods for the resource and cost efficient provision of goods and services and will be considered when implementing the policy.

Bristol is a Learning City. We want to ensure children, young people and adults can access a range of options that will enable them to acquire the skills they need to join the workforce. Additional Employment, Skills and Learning opportunities are one of these options and will be actively sought within the commissioning and procurement processes.

Guidance for Providers: Employment, Skills and Learning can be viewed [here](#).

Sustainable procurement is embedded within our commissioning and procurement processes. Additional Environmental Social Value benefits are encouraged and are key to our continuing to promote our city's Global Green Capital Status. A focus on 'green' issues secures environmental protection and enabling measures to reduce

carbon emissions, energy efficiency, waste minimisation and recycling. Further guidance is available below and throughout the commissioning and processes.

Our **Creating Social Value In Bristol, Social Value Policy** is an emerging approach. It needs to be dynamic and flexible enough to enable us to use our experience, practice and learning to develop it as our knowledge, understanding and evidence grows.

Our **Creating Social Value In Bristol, Social Value Policy** can be [found here](#) [\[insert link\]](#).

Our partners worked with us on a **Making our Money go Further – Social, Environmental and Economic Procurement Scrutiny Inquiry Day**, that has formed the building blocks of the policy and partnership toolkit and in securing social benefits and more value for money when buying services.

## How does this new approach fit with the Council's other priorities?

The Council's Corporate Plan 2014-2017 sets out its strategic priorities and outcomes which informs its priority areas for commissioning and procurement.



A summary the Strategic Outcomes Sought by our Corporate Plan can be [viewed here](#).

Further information about the Legal Framework and Local Policy Context can be [found here](#).

## Commissioning and Procuring for Social Value

Social Value can help us to get more value from the money we spend on services, enabling our funding to go further and securing better outcomes<sup>o</sup>. This can be in the form of cost savings or by achieving more outcomes for the same cost, or finding innovative ways of reducing waste

[See the Whole Life Hierarchy here for more information.](#)

We recognise that micro, small to medium businesses; social enterprises and voluntary and community organisations are often well placed to deliver the social benefits that local communities identify, introducing

innovative and flexible new ways of working and finding creative ways to support them. We encourage those organisations to work in this way.

### Case Study 1: a small business providing Social Value - Station Taxis

Station Taxis, contracted by Sunderland Council, is a small business that is able to provide Social Value. They deliver benefits to their local area in a way that fits with their business model (that is, the additional service and benefits provided are a natural adjunct to what they do anyway).

This small business provides the following Social Value:

- helping to safeguard University of Sunderland students by allowing them to take taxis back to their accommodation even when they don't have any cash by accepting their Student Union Membership Card as guarantee of payment;
- supporting 100 of their 400 self-employed drivers to undertake maths and English courses
- employing six apprentices
- providing two business mentors
- publicising local firms and retailers by producing a loyalty card brochure that promotes local businesses and uses lower advertising rates to maximise the benefit to those firms and the community

## How some organisations are defined

### Micro, Small to Medium Businesses and Organisation (Size)

In this document we have used the following employee 'head count' to define Micro, small to medium businesses, social enterprises and voluntary and community organisation size.

Category	Number of Employees
Micro	0 – 9
Small	10 – 49
Medium	50 – 249
Large	250+

### Jargon Buster:

**Outcomes** are specific changes in behaviour, condition and satisfaction for the people that are served by a project or a service.

## Micro, Small to Medium Businesses and Organisation (Classification)

Voluntary community sector organisations are all organisations that are neither part of government (public or state sector) nor the private (for profit) sector, this includes charities.

Social enterprises are businesses that trade to tackle social problems, improve communities, people's life chances, or the environment. They make their money from selling goods and services in the open market, but they reinvest their profits back into the business or the local community.

Organisations or enterprises may also be defined as those owned and or community led by a group protected by legislation.

## How some organisations are giving added social value benefits

Social benefits can be achieved in a variety of ways by, for example:

- enabling a positive impact on the environment
- helping to get people into employment by improving their skills and offering work experience and volunteering opportunities

- regenerating communities and contracting with micro, small to medium businesses, social enterprises and voluntary and community organisations
- encouraging community engagement and community benefit projects.

### Examples of organisations creating social value<sup>2</sup>

- A community based childcare organisation that invests in programmes to help local long-term unemployed people into childcare training, qualifications and employment.
- A transport company that tenders for a contract to run bus routes and offers to provide added value through the delivery of a community dial-a-ride service.
- A housing management organisation that wins a contract to undertake property maintenance and repair work, and offers to also promote careers in construction and trades to local schools, and commit to employing young people.

<sup>2</sup> Extract of The Social Value Guide, Implementing the Social Value Act. [More information here.](#)

## How the Council will promote social value

- We will look for opportunities to increase social benefits in all Council activity and services.
- We will provide resources and training to raise awareness, promote take up and share good practice.
- We will improve; early engagement with local communities, businesses and organisations in delivering services and securing the best social, economic and environmental outcomes for people; and market engagement with businesses, including micro, small to medium businesses, social enterprises and voluntary sector and community organisations.
- We will deliver value for money, taking into account whole life or 'life cycle' costs<sup>o</sup>.

### Jargon Buster:

**Whole life** or life cycle cost means taking into account all relevant costs and revenues associated with the delivery of a service or the provision of goods and/or works.

- We will look for benefits to best meet the needs of a particular ‘area’ or community.
- We will look to create Employment, Skills and Learning opportunities through our commissioning and procurement processes.
- Sustainable procurement is embedded within our commissioning and procurement processes. Additional Environmental Social Value benefits will be sought.
- We will encourage innovation and new ways of working - informed by good engagement, consultation, imaginative commissioning and procurement and creative service design
- We will reduce bureaucracy and timescales for tendering<sup>o</sup>, increasing accessibility and opportunities for bidders and the efficiency and effectiveness of our commissioning and procurement processes.
- We will improve the commissioning of realistic and sustainable outcomes.

## Our Approach to Commissioning and Procuring for Social Value

Thinking differently in innovative ways.

### Case study 2: BUZZ Community Shop – Lockleaze

Bristol City Council recently transferred one of its assets – a building on a row of shops on Gainsborough Square in Lockleaze – to the North Bristol Advice Centre to convert into a community shop. As well as helping to solve a long-running lack of fresh fruit and vegetables in the area, NBAC has converted the upper floors of the building to house its employment support project and to create workspace for new social enterprises.

Instead of selling off the building the Council has used it to help resolve long-standing issues identified by residents of this area.

Considering social value in all of our commissioning and procurements.

Overleaf are some of the key elements that inform whether or not social benefit opportunities can be achieved through commissioning and procurement. These issues are explored for each individual contract.

## What a Social Value question in a tender looks like

Below is a link to a sample question used in a high value tender. Further examples can be found on page 8.

In developing questions we will:

- Provide context
- Identify priority groups
- Set out initiatives sought through the tender
- Share monitoring arrangements
- Set out the Council’s commitments

How Social Value has been considered and the decisions taken at the different stages of the commissioning and procurement cycles will be documented and will be monitored as part of the ongoing evaluation of the impact of our Social Value Policy.

[View the sample Social Value question here.](#)

### Jargon Buster:

A **tender** or bid is a written response offering to contract services, goods or works at a specified cost or rate.

## Think Social Value - where to start...

<p><b>Concept</b></p> <p>What is the Service to be commissioned? Who will the recipient of the service be?</p>	<p> <b>Review</b></p> <ul style="list-style-type: none"> <li>• Performance against existing Contract</li> <li>• Lessons Learnt</li> <li>• Sustainability Assessment</li> </ul>			
<p><b>Consult</b></p> <p>Should consultation be carried out? If not why? Who are the stakeholders</p> <ul style="list-style-type: none"> <li>• Service Users</li> <li>• Market Suppliers</li> <li>• Community Groups</li> <li>• Other Public Services/LA's</li> </ul>	<p><b>What are the issues that may be affected by the Service:</b></p> <p>Example:</p> <ul style="list-style-type: none"> <li>• Loneliness</li> <li>• Social Isolation</li> </ul>	<p><b>Can the issues be addressed by the Service?</b></p> <ul style="list-style-type: none"> <li>• Approach to a Service</li> <li>• Delivery model</li> </ul>	<p><b>How can the issues be addressed by the Service?</b></p> <p>Example:</p> <ul style="list-style-type: none"> <li>• Taking the service user to the service (instead of home delivery)</li> </ul>	
<p><b>Impact</b></p> <p>What impact on Social Value could be delivered through this Service?</p> <p>Example:</p> <ul style="list-style-type: none"> <li>• Improving community cohesion for service users</li> <li>• Improving health and/or access to care facilities for service users</li> </ul>				
<p><b>Inform</b></p> <p>Specification</p> <ul style="list-style-type: none"> <li>• Delivery model</li> <li>• Sub-Contracting</li> <li>• Consortia</li> </ul>	<p><b>Inform</b> </p> <p>Selection</p> <ul style="list-style-type: none"> <li>• Technical ability</li> <li>• Experience of working with specified service user group</li> <li>• Experience of providing specialist aspects of the service</li> </ul>		<p><b>Inform</b> </p> <p>Evaluation</p> <ul style="list-style-type: none"> <li>• Criteria</li> <li>• Weighting</li> <li>• Evidence</li> </ul>	
<p><b>Outcomes</b></p> <p>How could this impact be delivered through the Outcomes of the Service?</p>	<p><b>Measures</b></p> <p>How would each Outcome be measured – see examples provided </p>	<p><b>Relevant</b></p> <p>Are these Outcomes relevant to the type of Service to be commissioned?</p>	<p><b>Proportionate</b></p> <p>Are these Outcomes proportionate in relation to the Service to be commissioned?</p>	
<p><b>Contract Management</b></p> <ul style="list-style-type: none"> <li>• Monitor against KPI's</li> <li>• Evidence</li> </ul>	<p><b>Manage and develop supplier performance</b></p>			

## Bringing Social Value into procurement

There are two 'routes to procurement'. These are the ways that social value can be brought in to a procurement process.

Award Criteria	Performance Obligation
<p>Award criteria is the criteria against which aspects of a bid's content are scored. This evaluation and scoring directly affect the decision about which bidding organisation will be awarded a contract.</p> <p>This route enables commissioners evaluating a bid to test a provider organisation's experience in delivering social value benefits.</p> <p>The award criteria will be clearly set out within the tender documents, if this route is used the requirement must be relevant to the subject matter of the contract.</p> <p><b>Examples of the types of questions that may be asked are:</b></p> <p>“Bidders are invited to give brief details of how they intend to add to the economic, social and environmental well-being of their local area through the delivery of the service specified, as required under the Public Services (Social Value) Act 2012. The commissioner is seeking information on the benefits Bidders might look to achieve in relation to social and community, labour and employment, and environmental factors associated with delivery of the services specified, including how they might demonstrate innovation”<sup>3</sup> (Primary Care Mental Health tender for Wirral CCG)*.</p> <p>or</p> <p>Using the matrix provided please indicate the intended target in this area – see example on the next page.</p> <p>The social benefits a provider organisation offers within its tender submission become a requirement of the contract and are monitored appropriately.</p> <p>*The responses to these questions are evaluated in the same way that commissioners would evaluate a method statement.</p>	<p>Performance Obligation is a commitment in a contract that a provider will perform an agreed task or activity. These obligations are specified and become a requirement of a contract.</p> <p>Performance Obligations are imposed and cannot be considered and scored as part of the tender evaluation.</p> <p>The importance of the social benefits associated with a particular contract, as minimum requirements will be explained from the outset and within the tender documents.</p> <p>These must seek to secure additional social benefits.</p> <p>Performance obligations are monitored as part of the contract monitoring process.</p>

<sup>3</sup> Example used Primary Care Mental Health tender for Wirral CCG

## Sample

Occupation	Labour Requirement				Person-weeks delivered by New Entrant Trainees							
	Total for Contract		Apprentices		Employed operatives		Non-employed Trainees		Total No.		% of total	
	P/wks	No	P/wks	No	P/wks	No	P/wks	No	P/wks	No		
Trades Apprenticeship for Young People and Adults												
Employed Operatives semi-skilled and unskilled employees												
Total in employment												
Non-employed trainees all levels and occupations												
Total in employment and training												

NB: When the Social Value benefit is not a core requirement (i.e. relevant to the subject matter of the contract) it can still be included within the contractual terms of the contract. However it would not form part of the evaluation award criteria.



### Notes<sup>4</sup>:

**P/wks** – A person-week is the equivalent of one person working for 5 days either on site, or through a mix of on-site work and off-site training. The total person-weeks utilised on the contract to include time provided by management and professional staff, trades and operative staff, and ancillary staff.

**No** – enter here the number of individuals that you anticipate using for each occupation and category.



**A new entrant trainee** is a person that is leaving an educational establishment (e.g. school, college or university) or leaving a training provider, or a non-employed person that is seeking employment that includes on-site training and assessment or offsite training, or a mix of these.

**An Apprentice** is a person registered as an apprentice with an industry recognised body. Each apprentice can be counted as a new entrant trainee for up to 104 weeks.



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### Examples of where Social Value can be directly connected to the subject matter include\*

- a contract to build houses that includes the ability to target recruitment and training for construction related skills;
- a catering contract which requires eco-friendly ingredients are used;
- the provision for refuse collection specifying that items for recycling are separated out (which is also, incidentally, a legal requirement on local authorities);
- a grounds maintenance contract requiring the use of indigenous plants only.

\*Anthony Collins Solicitors, Social Value and Public Procurement, a Legal Guide January 2014

## Guidance for Providers

### How can provider organisations use social value when bidding for contracts?

We recognise that many businesses including micro, small to medium businesses, social enterprises and voluntary and community organisations 'provider s' are already delivering additional social value. We want to encourage and give you opportunity to tell us about these during engagement, consultation and tender processes, and for these to be recognised as part of the tendering process.

In this section we encourage organisations to prepare for social value when bidding for contracts and offer some practical guidance.

Below are some top tips to think about in preparing to bid for contracts:

1. Understand the needs of the local area and the Council's priorities and how these fit with your organisation's ethos and core service.
2. Recognise what social benefits are already provided as part of your core business and then consider how additional social,

economic or environmental value might be created:



- a. consider the Social Value Outcomes and Measures (see below) and think about how they may link with your organisation's own activities,
- b. gather evidence that demonstrates how and when your organisation has created social value outcomes and impact. Feedback and evaluation are rich sources of data for this purpose. Identify what measures you can incorporate within your existing systems and processes to capture relevant information. Use this to inform your social value objectives.

#### Sample of some Social Value Outcomes and Measures.

This list isn't exhaustive. Relevant and proportionate Outcomes and Measures will be considered for each individual contract and with the engagement of the relevant providers, communities and commissioners.

3. Think about the relevance of different types of social value benefits to the types of contract your organisation is likely to bid for.
4. Set out clearly the value for money that the social benefit can bring. A good source

of help in understanding developing this aspect can be found at the New Economy website<sup>5</sup> which brings together more than 600 cost estimates in a single place.



The Case Study below provides an example of the way social benefits can be presented in monetary values. There are a range of resources that offer cost estimates like these.

#### Case Study 3: Back in the Game – Social Value offer

Back in the Game is a programme run between Isos Housing and Sunderland FC which aims to inspire, motivate and up-skill unemployed adults.

It has calculated the return on investment for one quarter of an annual delivery contract as follows:

- 5 people in employment, at £8,700 per job = total: £43,500
- 27 people with raised career aspirations, at £4,800 per person = total £129,600
- 32 participants with increased fitness levels, at £2,354 each = total £75,328
- 24 people improved their self-confidence, at £1,195 each = total £28,680
- 27 people gained a certificate in work skills, at £947 each = total £25,569

<sup>5</sup> New Economy's Unit Cost Database. [More information here.](#)

5. Help commissioners during engagement and tendering to understand the full range of innovation you can provide.
6. Ensure services will work well for the people who will use them by engaging with them and commissioners in shaping and designing those services. 
7. Register to receive information about upcoming engagement and tendering opportunities, see further details here.
8. Plan how to explain the added social value you will bring. Start to prepare for the tender process and the ways in which you may be asked to demonstrate your social value in tenders.
  - Ensure you are able to demonstrate how social value is embedded, monitored and reported within your organisation's structure and routine processes. Be prepared to capture unexpected outcomes as well as those intended.



## What will commissioning and procurement for social value look like in practice?

Below is a brief summary of the key points during the commissioning cycle when stakeholder<sup>o</sup> and providers organisations may be directly involved. 

At the beginning of our commissioning process we try to identify the relevant groups, organisations and people who we wish to consult with to help us to develop our solutions if your organisation is identified you may be invited to participate in engagement and consultation activities. 

During pre-procurement engagement we'll ask the provider market, communities and other key stakeholders to participate in the review of any existing services and invite feedback, this will inform draft service design and commissioning planning, identifying potential for social benefits and whether those proposed are achievable.

### **Jargon Buster:**

**Stakeholder** is anybody who can affect or is affected by an organisation, strategy or project. They can be internal or external.

Once a commissioning plan is drafted we will consult key stakeholders inviting them to comment on the proposal.

This is the point at which, if it appears contracts may not be of a manageable size and/or organisations do not possess all of the required technical ability necessary, some providers may consider forming partnership arrangements with similar providers to enable them to bid effectively. Early engagement opportunities are ideal for initiating these discussions with other provider organisations.

There is a range of guidance available on collaboration and forming consortia. Once formalised these are contractual arrangements and due diligence should be regarded. The Direct.Gov Guidance can be found here.

### Needs Assessment

Commissioners may ask for help with needs assessment to help them to identify gaps in service provision and the market.

We sometimes have discussions with external groups to assess current and future needs and expectations.

### Communications

Once a provider organisation is identified they are kept informed of developments through the process, as part of an agreed communications plan.

### Commissioning Strategy/Plan

This will be informed by a purchasing plan (see the Checklist for Commissioners for further detail of what the documents referenced include) and is usually subject to consultation prior to being finalised. A draft service specification may be issued with this for consultation.

Following consultation amendments are made, informed by the consultation and the commissioning strategy/plan is produced.

### Market Engagement Event

Once these tasks are complete it is usual practice for a market engagement event to be held, this event is promoted and advertised widely and aims to introduce the market to the tender opportunity, process and contract arrangements. This is an opportunity to ask questions and meet the commissioning and procurement team.

### Advert/Publication

An advert is usually published in a range of media we recommend providers register on the Council's e-procurement portal which will provide alerts to your expressed areas of interest. When the tender is advertised or 'published' we provide a tender pack. This includes the following documents:

- **Specification**
- **Suitability Assessment**  
Pre-Qualification Questionnaire (PQQ)  
- Includes an Economic and Financial Assessment
- **Invitation or instruction to tenderers (ITT)** guidance including tender questions, evaluation matrix, award criteria, evaluation methodology, minimum criteria and price schedule.
- **Terms and conditions**
- **Price schedule**
- **TUPE information** (if applicable)

Once a tender is submitted and the 'deadline' for submission has passed a suitability assessment and tender evaluation is carried out.

## Contract Award / rejection

The successful and unsuccessful bidders are notified of the outcome of the evaluation process and are provided with feedback on their own and the successful bidder's bid.

## Monitoring and evaluation

Once a contract is awarded a contract manager will work with the provider organisation to monitor and review service delivery and performance.

## Sources of guidance and resources for provider organisations

If your organisation is already delivering and measuring social benefits effectively, we encourage and support the continued use of your own tried and tested approaches and models, and would very much like you to share these with us.

Here are some resources that have been used elsewhere that you might find helpful, there are many many more available via the internet.

**Confederation of British Industry's (CBI)** guide to creating social value and aligning market strategy with local authority priorities.

**Social Enterprise UK** provide pointers to help charities and social enterprises to understand and measure their social impact. Although this guidance is targeted at charities and social enterprises much of the content is relevant to providers in all sectors and sizes.



**The Charities Evaluation Service (CES)** part of The National Council for Voluntary Organisations **NCVO** offer a wide range of tools and resources, available on their website that can help plan your work. These include interactive tools, informative guides and downloadable resources to help you to get started.

**Selling to the Council Guide** has been developed for suppliers and potential provider organisations planning on tendering with the Council. This document explains the procurement process in more detail.

**Prove and Improve** is an online tool for proving and improving the benefits that an organisation provides. It offers a Quality and Impact Toolkit for use by charities, voluntary organisations and social enterprises.

**Voscur Support Hub** a local service that helps voluntary and community organisations improve their performance, including service development, business planning, outcomes monitoring and proving impact.



# Guidance for Commissioning and Procurement Officers

## How Commissioners apply the Commissioning Cycle to Social Value

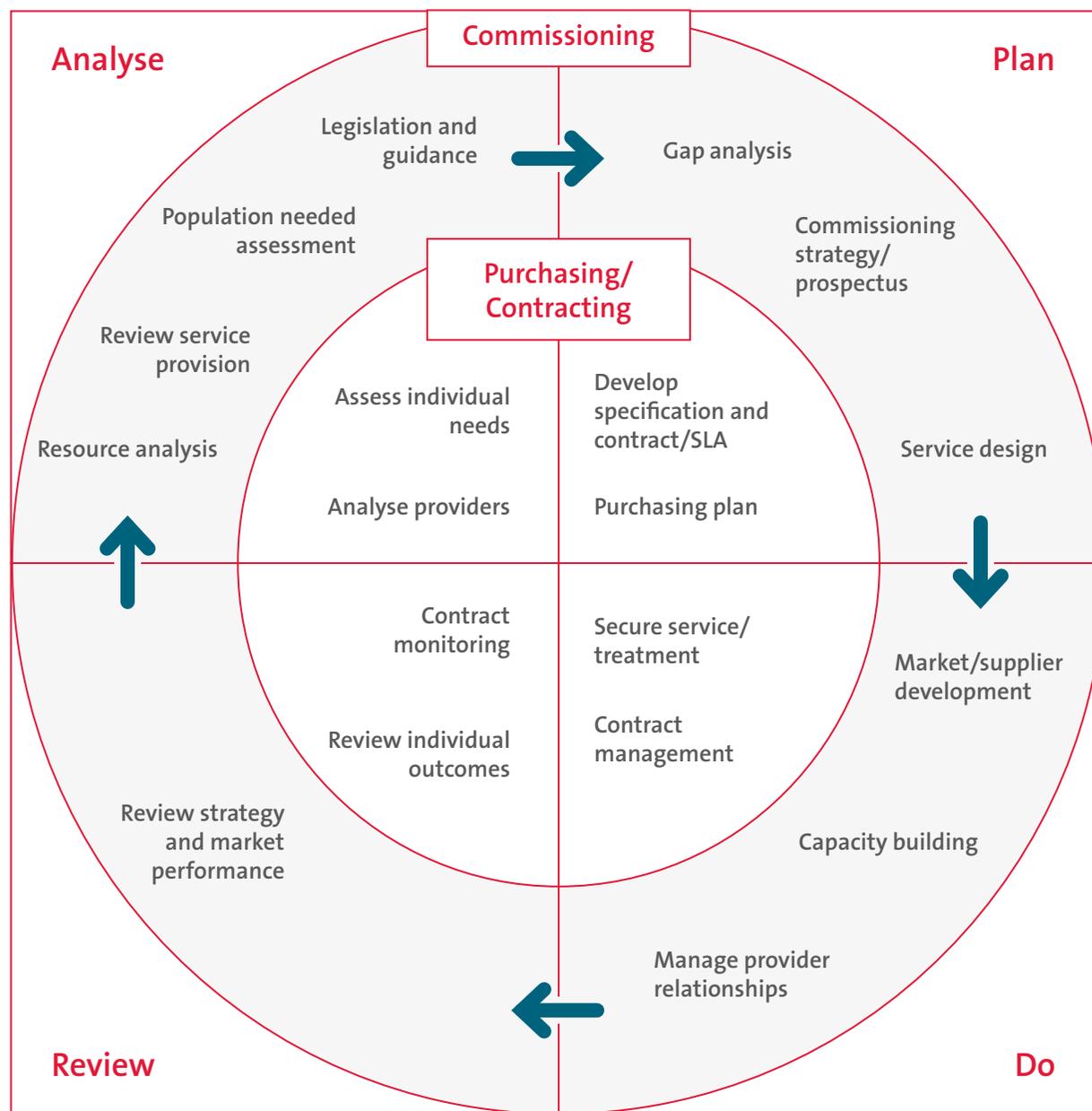
In this section we will look at where to start, issues the commissioner must consider, offer clarification and pullout some key points when applying social value through the commissioning cycle.

This section is intended as a guide for commissioners and for information for potential provider organisations.

The commissioning process is dealt with in four 'stages': analyse; plan; do and review. This is known as the commissioning cycle and is shown in the graphic to the left. 

The Enabling Commissioning Framework was designed by the Council and representatives of organisations that are commissioned by the Council. It includes advice, guidance, tools, templates and examples of good practice. 

The guidance in this toolkit seeks to enhance, and not fundamentally change the



commissioning or procurement processes we already use. It ensures that social value is incorporated as part of our existing practice.

**Comprehensive checklist for commissioners and procurement officers can be found here.**

Social value is considered at all stages of the commissioning cycle.

This includes:

-  • identifying opportunities for creating /realising social value through the assessment of needs, resources and assets, stakeholder engagement and consultation, and market analysis / development;
- embedding social value in strategies and commissioning plans; and
- incorporating social value into the procurement process:
  - service specifications
  - tender questions
  - performance monitoring /evaluation

## Joint Commissioning and Procurement

Where the Council is undertaking a joint procurement with other organisations it is essential that a memorandum of understand or an inter-agency agreement be drawn up. The lead commissioner for the Council must ensure this includes a requirement that our approach to Creating Social Value in Bristol is incorporated.

## Engagement and Consultation

The Enabling Commissioning Framework provides extensive guidance on engagement and consultation that can be found [here](#).

The Bristol Compact, the Statement of Community Involvement and the Code of Good Practice (CoP) on Public Consultation, is the guidance the Council uses when considering, and embarking on engagement and/or consultation. View the full set of documents [here \[Broken link\]](#). 

The seven key principles of the CoP are to:

1. time consultation well and allow sufficient time to respond
2. clearly present relevant information and encourage informed opinion
3. be well targeted and reach out to seldom heard groups

4. offer genuine options and ask objective questions
5. be well planned, managed and co-ordinated 
6. be listed on Contracts FinderJB and be well communicated
7. provide fair, accessible feedback

Commissioning planning and plans are open and transparent.

We identify and engage with a broad spectrum of stakeholders.

We respect the knowledge and experience communities and providers bring.

We invite and value the co-design of services with communities and providers.

We recognise the social value that already exists and welcome providers to include this when they tender with us.

We use a range of media to communicate our up-coming Engagement and Consultation activities.

We publish our tender opportunities as far in advance as possible.

As commissioners we **must** consider social value and whether we should engage with and consult local communities about this.

Engagement and/or consultation must start at the earliest possible opportunity to find out what the potential social benefits could be and to learn about benefits we have not considered.

We need to record what consultation tells us and ensure it informs the way we commission services.

### Points for the commissioner to remember pre-procurement

1. incorporating the 'Whole Life' Hierarchy
2. understanding of the needs of the population and identifying what kinds of outcomes are important for a specific contract and the additional social, economic and/or environmental benefits that will meet the needs of the population
3. identifying how value for money can be secured through the contract
4. finding out what the market can feasibly provide, if there are any gaps in the market and clarifying the range of options available:

- looking for social benefit outcomes that are relevant to a bidder's core business and proportionate to what they can provide;
  - knowing what the local market can provide (this avoids seeking outcomes which are not relevant to the businesses and/or organisations that are likely to bid for a contract, or disproportionate to what they can provide).
5. ensuring the procurement process doesn't exclude certain providers (especially micro, small to medium businesses, social enterprises and voluntary sector and community organisations).

NB: Excessive documentation, high financial thresholds, large contract sizes and/or lengthy timescales can unintentionally exclude the types of provider who would be best placed to provide the kinds of benefits the commissioner needs.

6. identifying what balanced, clear requirements, that encourage innovation, social value outcomes could be written into the commissioning plan and/or service specification. 
7. deciding how best to clearly communicate to bidder how to articulate their social value offer within a bid.



#### Case Study 4: Veolia Environmental Services

Veolia, an environmental services firm, provides recycling, waste management and heating services to residents in the London borough of Southwark. Veolia delivers a number of Social Value benefits that are additional to its core environmental services business, but are relevant to this core business.

For example over one year Veolia recorded the following:

- a Community re-paint programme that has diverted 16 tonnes of paint from landfill, benefitting 69 community groups and 400 individuals
- generating £18,000 in re-sale value for the British Heart Foundation by diverting 12 tonnes of material from landfill
- donating 340kg of tools to the Conservation Volunteers
- inviting 741 pupils to the Recycling Discovery Centre to raise awareness about recycling amongst young people
- sending 16 tonnes of small WEE and cathode ray tube lights to CRISP who use them to train unemployed people in electronics before sending them on for recycling.



## A Guide to Social Value through the cycle

Initiation (Review)	Needs analysis (Analyse)	Consultation stakeholder / marketplace (Plan)	Designing the service (Do)	Setting the objectives	Contract management
<ul style="list-style-type: none"> <li>• <b>Examine the existing Contract</b></li> <li>- What Social Value is already being achieved?</li> <li>- Investigate existing activities that can become measurable 'added value' (are they working)</li> <li>• <b>Consider the 'fit'</b></li> <li>- Are there particular existing priorities or policy objectives that could be met through the new contract?</li> <li>- Is there a need to revise policy?</li> <li>• <b>What other action could be taken before a new procurement exercise is commenced</b></li> <li>- Amendments/additions to commissioning plan or specification and contract</li> <li>• <b>Stakeholder / service user Engagement</b></li> <li>- Identify which priorities are most relevant to stakeholders and service users, and which should be reflected in an expanded commissioning plan or specification</li> </ul>	<ul style="list-style-type: none"> <li>• Have service users' needs changed?</li> <li>• Have the wider community's needs changed?</li> <li>• Are there different social issues to tackle now?</li> <li>• Are there new ways of resourcing the requirement - e.g. other sources of public funding or through collaboration?</li> <li>• Has the landscape of potential providers changed substantively</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Consider undertaking consultation</b></li> <li>- What are the social, economic or environmental "needs"</li> <li>- How could these best be delivered</li> <li>- What are the capabilities and willingness of the market</li> <li>- How can Social Value be monitored and measured</li> <li>- What evidence already exists</li> <li>- Share proposed requirements and monitoring and evaluation model</li> <li>• <b>Consider publishing a Prior Information Notice</b></li> <li>- Alerts the market to the consultation exercise and market engagement event, and enables:                             <ul style="list-style-type: none"> <li>- views to be captured</li> <li>- a market to be created</li> <li>- potential suppliers to consider collaboration / forming consortia</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Ensure the Social Value requirements are threaded throughout the tender documents</li> <li>• Should flow naturally from needs analysis and stakeholder /market</li> <li>• Where should the Social Value element be included?</li> <li>- Does this form part of the contract's subject matter?</li> <li>- To what extent should social, economic and environmental requirements be reflected in the commissioning plan or service specification?</li> <li>• Where Social Value does form part of the subject matter, it can be taken into account when evaluating a bidder's suitability (this should be reflected in all stages procurement process)</li> <li>• Specify ways in which service performance of requirements can be verified</li> </ul> <p>NB: unverifiable requirements are unlawful</p>	<ul style="list-style-type: none"> <li>• The evaluation criteria cannot be changed through the procurement process at any stage (includes sub-criteria/weightings)</li> <li>• Social and environmental characteristics will be most relevant to the "quality" aspect of the evaluation criteria</li> <li>• Non "local" language should be used: all bidders from anywhere in Europe should be able to comply with the requirements</li> <li>• The weighting allocated to social characteristics must relate to their importance to the contract (typically these might be between 5-10%)</li> <li>• Rationale for adopting particular weightings must be documented</li> </ul>	<ul style="list-style-type: none"> <li>• Deploy enough resource to monitor the contract effectively</li> <li>• Review with the service provider, its performance of the full commissioning plan or specification (including any Social Value aspects)</li> <li>- track value for money work together to identify how service delivery can be enhanced collaboratively</li> <li>• The contract is the starting point for unleashing greater social impact and value for money</li> </ul>



## Some points for clarification:

### Sustainability Assessment

We use a sustainability assessment to help us assess how sustainable a service can be to inform what social benefits can be sought through the contract, in preparation for consultation.

### Strategic Priorities

Commissioners will determine the strategic 'fit' of a service (the fit with outcomes, priorities and needs) and how the proposed activity contributes toward the council's overall vision and objectives. This should then be outlined within a service specification (services).

### Lot

Commissioners will always consider breaking large value contracts into smaller contracts to maximise the opportunity for micro, small to medium businesses, social enterprises and voluntary and community, often locally based organisations to bid. The rationale for lotting (and not lotting) must be recorded and included within the tender documentation. Contracts can be lotted by geographical area.

#### Case Study 5: Selwood Housing Mission

Selwood Housing's mission is to improve homes and communities. Within this, it wants to promote better communities by improving the neighbourhoods that its residents live in, for example through financial inclusion for tenants, employment opportunities, and reducing homelessness. Selwood has opted to use Social Value as a way to achieve this strategic objective, and includes a Social Value clause (the 'Silva' clause) in its contracts. To date, this has secured 63 work placements, one full apprenticeship, 42 community labour days where organisations work on community projects, and £14,000 pledged towards tenant events and prizes.

#### Case Study 6: Durham County Council Adult Learning

Recognising that small, local businesses might be better placed to provide learning for adults who find it difficult to engage with mainstream learning, due to their ability to provide specialist forms of learning. They therefore split their contract into smaller lots, allowing organisations to bid for the elements of the contract they felt best suited them. The Council also opted not to apply a financial turnover threshold or credit score to this tender, recognising that this is often a barrier for smaller or newer organisations. As a result, the majority of the 13 bidders were small local organisations, community groups, and social enterprises.



### Economic and Financial Assessment

Where the value of a contract meets the EU Procurement threshold there is now a 'turnover cap'. This cap is set at a minimum yearly turnover of not more than two times the estimated contract value, except in justified circumstances<sup>6</sup>. For procurements below these thresholds a risk based approach can be adopted, with agreement of our Finance team. This means we have the flexibility of being able to look at what the consequence of an organisation's turnover falling below the minimum, and decide how detrimental a failure could be to the council, instead of having to apply a rigid formula.

<sup>6</sup> Refer to regulation 58(9) Public Contracts Regulations 2015

### Case Study 7: Durham County Council Cathedral Bus Service

When re-tendering its Cathedral Bus service which links various locations in Durham, the Council simplified its tender process and removed the financial turnover threshold and credit score requirements. This resulted in the contract being won by local SME Stanley taxis, which was also able to cut emissions by using electric vehicles.

As a result of its approach to lotting and financial assessment, in 2013/14 51.8% of the council's spend (just under £272 million) was with SMEs, 31.4% of this went to small or micro businesses, and 31.2% of the Council's spend was with SMEs in County Durham

## Evaluation

The cheapest price is not always the best value. We consider impact and wider social benefits that services deliver beyond what is simply the most economically advantageous. This secures wider benefits for the community.

We want to achieve greater value for money through social value and will seek to evidence whether this is being achieved. This requires an understanding of cost savings, both in the short term and longer term. Where theories of cost avoidance can be used we intend to develop our evidence base



We use the Most Economically Advantageous Tender (MEAT) method to assess value for money. This allows us to specify the ratio between quality and price. Where the estimated value of a contract exceeds the EU Thresholds this is the only approach we can adopt.

When assessing the best price-quality ratio we determine the economic and qualitative criteria **linked to the subject-matter of the contract** that will be used for this purpose. Those criteria should allow for a comparative assessment of the level of performance offered by each tender, as defined in the specification.

A cost effectiveness approach is considered such as a whole life or 'life-cycle' costing.

This means internal costs, such as research, development, production, use, maintenance and end-of-life disposal costs but can also include costs relating to environmental externalities, such as pollution caused by extraction of raw materials used in the product or caused by the product itself or its manufacturing, provided they can be monetised and monitored.

Lifecycle costing can include<sup>7</sup>:

- a. costs, borne by the council or other users, such as:
  - i. costs relating to acquisition;
  - ii. costs of use, such as consumption of energy and other resources;
  - iii. maintenance costs;
  - iv. end of life costs, such as collection and recycling costs.
- b. costs attributable to external environmental factors linked to the product, service or works during its life cycle, provided their monetary value can be determined and verified.

Life-cycle costing forms part of the 'price' weighting of the tender evaluation, as although these attributable costs should be clearly set out within the tender submission, they should form part of the overall pricing structure.

<sup>7</sup> See regulation 66, Public Contracts Regulations 2015 for further guidance

## Weighting

As part of the Award Criteria route commissioners will agree what weighting will be given to social value outcomes. Note: One of our key policy objectives is to apply a 10% quality weighting to social value during the tender process.

If the Award Criteria route is selected, social value forms part of the quality weighting for a tender and is clearly set out in the evaluation methodology included in the tender documents. The 'weighting' represents how important this question is in relation to the others. This score contributes to the overall evaluation score.

A question or suit of questions will be designed (see [sample social value questions](#)  [\[link to be inserted\] on page 8](#)) to ensure bidders have the opportunity to articulate the social benefits they can deliver in context of a specific contract.

Each contract is considered on its own merits. However when it is identified in the commissioning process that additional social value outcomes are relevant and appropriate, a methodology will be applied that ensures 10% of the quality element of the price/quality ratio will be allocated to Social Value.

## Procurement Routes

There are two ways or 'routes' to including a requirement into a contract. Social value can be achieved through one of, or a combination of both routes; Award Criteria and/or Performance Obligation. The rationale supporting the chosen route must be clearly set out within tender documentation.

Contracts of a value above the prescribed EU threshold are subject to strict regulatory regime and caution must be taken to ensure the applicable legal provisions are kept in view while trying to achieve social value objectives through the award criteria or contract performance obligations.

## Award Criteria

The Award Criteria route offers greater opportunity for providers to be innovative. Commissioners are required to design procurement processes and tender documentation to allow potential providers to outline how they will deliver social value in addition to the core requirements of the contract. Commissioners must ensure that this remains proportionate and relevant, and that evaluation criteria include consideration of how the people and communities of Bristol have been involved in determining the outcomes.

Commissioners will ensure that outcomes are linked to the council's strategic objectives.

It is possible within this approach to specify the outcomes but not how these will be achieved, this can be left open for providers to develop proposals.

Award Criteria is considered and scored as part of the evaluation of a tender. Award Criteria must adequately relate to the subject matter of the Contract. The experience (track record) of a bidder and/or their proposal to deliver Social Value can form part of the selection and award criteria. Criteria as a core requirement of the Contract should be supported in local strategy and policy.

When the Social Value is not a core requirement (i.e. relevant to the subject matter of the contract) it can still be included within the contractual terms of the contract. However it cannot form part of the evaluation criteria.

## Performance Obligation

The Council may ask a provider to deliver additional social benefits that are not considered or scored as part of a tender evaluation, but which are included as requirements of a contract and will be monitored by the commissioner. This is what

is known as ‘performance obligation’. These will be set out in the terms and conditions issued with the tender documentation.

Where this approach is taken the social value outcomes will have been agreed by the commissioner through consultation with potential providers, and the people and communities of Bristol. The commissioner will also ensure that the outcomes relate to the council’s strategic objectives.

Performance Obligations are not considered and scored as part of the tender evaluation but are specified as a requirement of a contract and will be monitored as part of performance monitoring. Social value can be imposed as a Performance Obligation. This must seek to secure additional social benefits. This obligation, as minimum requirement(s) must be set out at the outset of the procurement.

Where social benefit is incorporated as performance obligation and not an award criterion, bidder submissions that make reference to this performance obligation can have no bearing on evaluation or award during the tender process.

## Subject Matter

Guidance on establishing what is linked to the subject matter or the Contract is limited. We must ensure analysis of the Service to be commissioned is thorough, what the social benefits sought are and whether these can be regarded as ‘linked’ to the core requirement of the Contract.

Examples of where Social Value can be directly connected to the subject matter include<sup>8</sup>:

- a contract to build houses that includes the ability to target recruitment and training for construction related skills;
- a catering contract which requires eco-friendly ingredients are used;
- the provision for refuse collection specifying that items for recycling are separated out (which is also, incidentally, a legal requirement on local authorities);
- a grounds maintenance contract requiring the use of indigenous plants only.

## Tender Documents

Social value should be threaded through commissioning, procurement and tender process and documents with specific requirements reflected in the published tender documentation, including the OJEU (where applicable) and the Contract Notice, ensuring the EU Treaty obligation of transparency is met.

It is best to consider that the social value itself is being procured and ensure the commissioning plan or service specification describes ‘what’ the service being procured is. In doing this care should be taken not to shut down innovation by predetermining what bidders will be able to offer. Whilst it’s appropriate to describe the outcomes sought, commissioners may wish to leave the market to suggest ways the outcomes can be delivered in their tender .

Specific ‘labels’ cannot be required, where applicable technical specifications should be defined. Labels can be referenced by way of evidencing that technical specification are met, however, these labels must be accessible and available to all interested parties that meet the required standard.

<sup>8</sup> Anthony Collins Solicitors, Social Value and Public Procurement, a Legal Guide January 2014.

### Case Study 8: Knightstone Housing Maintenance and Repairs Contract

Knightstone Housing wanted to ensure that Social Value was an integral part of its new maintenance and repairs contracts, to support its strategic aim of helping residents to access work.

In the contract notice Knightstone included a reference to Social Value: “Under this contract the contractor and its supply chain will be required to actively participate in the achievement of social objectives relating to participation in community investment projects and employment and training programmes within the locality of the contract.”

In the ITT<sup>9</sup>, Knightstone asked bidders to commit to the percentage of person-weeks to be delivered by trainees, the amount of work placements available as a percentage of person-weeks needed to complete all the work, and the value of community investment opportunities provided as a percentage of the total contract value. They weighted this question in the ITT at 4%.

In terms of contract management, Knightstone asked for recruitment and training statements to be provided, progress schedules and reports on recruitment and training every 13 weeks, the required number of person-weeks to be delivered by trainees, and for vacancies and work placements to be advertised with Knightstone’s nominated organisations.

<sup>9</sup> See the range of Social Value case studies and example questions collated in Blackpool Council’s Inspiring and Creating Social Value Toolkit

## Testing a bidders offer

There are broadly two ways to ‘test’ a bidder’s offer in relation to social benefit:

Specific Requirements:

This is where bidders address each social value requirement, defining figures and outcomes which then form part of the Contract<sup>9</sup>. This option allows for structured scoring at evaluation. This can be done in two parts:

1. Asking a bidder to describe the steps that will be taken to ensure the minimum specific requirements will be achieved.
2. Completing a matrix, table or similar pre-prepared format defining figures that will form part of the monitoring and evaluation schedule of the contract.

### Jargon Buster:

**ITT Invitation** or Instruction to Tenders this document is the initiating step in a competitive tender process. It indicates the process is open and usually includes details on how to bid for a particular contract.

**Distance travelled** is usually defined as progress toward Soft Outcomes.

## Open Questions:

These are where bidders respond to and address social value issues set out in the tender pack. This option offers the opportunity for bidders to exceed the Commissioner’s requirements. It can enable innovation but presents challenges for Commissioners when evaluating because it can be harder to judge bids against each other. This is dissimilar to the evaluation of a case study. Evaluation criteria and sub-criteria should be clearly defined.

## Outcomes and Measuring Social Value

We commission outcomes and not outputs. Outcomes based commissioning shifts the focus away from what providers can offer, to the outcomes the service(s) to be commissioned will achieve. The approach is the same when considering social benefit.

When measuring social value, the Council will consider both soft and hard outcomes.

- Soft outcomes are things that cannot be directly measured e.g. wellbeing and distance travelled<sup>9</sup>.
- Hard Outcomes can be clearly defined, are tangible and more easily measured in figures.



See the list of example social value outcomes and measures that can be incorporated into a tender provided.

## Measuring Social Value

In Bristol we don't specify a particular approach to measuring social value. Social value measurement is about understanding the additional value provided by a social value contract. There is still a lot to be learned about this but we want this process to be appropriate (to the services and providers organisations using them), clear, proportionate and realistic. We will use national examples in Bristol, but we will also develop our approach as we learn and want to agree a suite of measures with our partners, commissioners and providers.



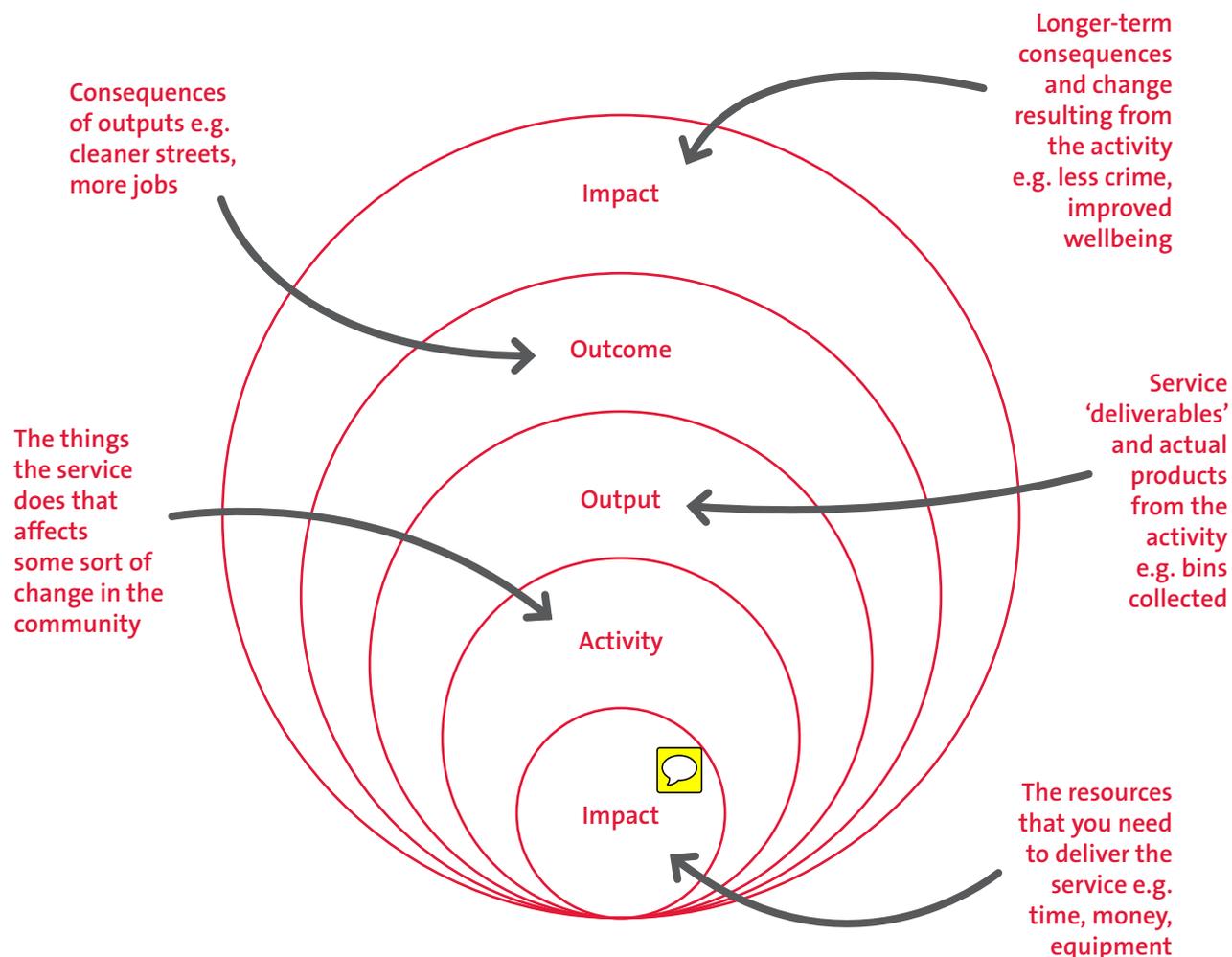
Commissioners and providers will agree measures for social value outcomes during the commissioning and procurement processes.

If the Award Criteria approach is used potential providers will need to set out their intended measures in their tender submission.



When the 'Performance Obligation' approach is used we will be clear about what needs to be measured and how.

There are many approaches to measuring social value. A combination may be necessary to understand the impact of an activity. The key is considering what input, activity, output, outcomes, and impacts are required to measure the social benefit.



Measuring social value can be done in financial and non-financial terms.



Financial measurements may focus on ratios or net estimates of the benefit.

Measuring social benefits in financial terms can be very interesting and involve a very in depth focus on the benefits of a service. Seeking to measure a return on social investment can be expensive and time consuming and should not be considered for the majority of contracts.



This can be onerous for micro, small to medium businesses, social enterprises and voluntary and community organisations in particular.

Further information, guidance and resources we have identified that are currently in use can be found below.

Nationally progress has been made in the development of unit cost databases and financial proxies for social outcomes.

Provider organisations and commissioners can use these resources to evaluate the difference made by services, however, we recognise that social value provides a range of benefits and it is not always possible to quantify these in monetary terms.

We will also be developing resources that enable us to capture the more intangible benefits such as increased personal wellbeing alongside more readily quantifiable outcomes.

[Social Value UK](#)

[Inspiring Impact](#)

[Cabinet Office Guidance](#)

[Communities and Local Government Report<sup>10</sup>](#)

#### **Non-financial assessments include:**

- Narrative reporting
- Case studies
- Non-financial data such as savings in carbon emissions

Placing a monetary value on social benefits allows commissioners to make simple comparisons between different services. In itself this is indicative and regard should be given to 'additionality', meaning that the less tangible benefits which are often difficult to assign a monetary value, are not to be dismissed.

Commissioners will also need to consider the sustainability of a social benefit, beyond the immediate lifetime of the contract. We may receive a particular social benefit that is not part of a core service. However over the lifetime of a contract, evidence and feedback from service users/customers, professionals and/or the provider market may demonstrate the value of retaining this additional benefit.

As part of exit/decommissioning planning and analysis, consideration should be given to how a particular social benefit may be sustained. This may result in this social value forming a core element or performance obligation of any future service specification.

An example of this might be a mentoring and buddying scheme offering particular support to a specific group. This may have originally been offered as an additional social benefit, but evolve to be a valued and 'needed' service in its own right or deemed key to any further service.

<sup>10</sup> Research into the financial benefits of the Supporting People Programme 2009



### Case study 9: Oldham’s Graffiti removal contract

Bidders were asked to set out any specific measures within their tender that would effectively add a Social Value element to their offer.

The successful bidder, an SME, offered to:

- provide a work experience placement
- sponsor awards for local gardens
- clean the community centre exterior and provide one week of community work free of charge 
- clear pathways for elderly residents
- use local suppliers to repair and maintain equipment.

Here is an indication of the value that the free services and work experience in this contract might bring. However, there are other benefits that have not been quantified here due to lack of data, e.g. the increase in social cohesion and local wellbeing from well-maintained gardens.

#### Free services

Value of community work: £481

- It is assumed that one week (37 hours) of community work is provided each year of the two year contract: 37 hours x 2 years = 74 hours
- The community work has been valued at the national minimum wage of £6.50 per hour: £6.50 x 74 hours = £481

Value of path clearing: £113

- The clearing of elderly resident’s pathways should reduce the risk of falls – to illustrate the value of this activity, it is assumed that at least one such fall

resulting in an AandE attendance might be prevented during the two-year contract.

- New Economy’s unit cost database estimates the average cost of one AandE attendance as £113: 1 prevention x £113 = £113

Total value of free services therefore stands at: £481 + £113 = £594

#### Work experience

Value of savings to Job Seeker’s Allowance:

- According to a DWP study<sup>11</sup>, work experience is expected to reduce unemployment benefits claimed by the equivalent of 5 days off benefits over 21 weeks. For a year, it is assumed impacts continue for at least two such periods (42 weeks) and result in the equivalent of 10 days off benefits. It is assumed that this level of impact will apply to the person completing the placements under this contract, either through helping an unemployed person move into work, or, in the case of someone currently in education, through helping to prevent a period of worklessness when they leave school<sup>12</sup>.

- New Economy’s unit cost database estimates that the Exchequer saves £10,025 per year for each workless JSA claimant entering work<sup>13</sup>. 10 days = 2.7% of a year. It is assumed 2 people are involved over the two years of the contract. The total value can therefore be estimated as: £10,025 x 0.027 years x 2 people = £549

Value of increase in employment:

- A DWP study estimates that one work experience placement will increase employment by 8 days over 21 weeks<sup>14</sup>. For a year, it is assumed impacts continue

for at least 42 weeks and result in 16 days extra employment. It is assumed a day’s work consists of 7.5 hours.

- It is assumed that one placement is provided in both years of the contract.
- The total employment increase will therefore be: 16 days x 2 people x 1 placement x 7.5 hours per day = 240 hours.
- If this work is valued at the national minimum wage of £6.50 per hour it can be estimated that the total value from increased employment is: 240 hours x £6.50 = £1,560

The total value of work experience from Job Seekers Allowance savings and increased employment can therefore be estimated as: £549 + £1,560 = £2,109

**Total Social Value from this contract might therefore be: £594 (free services) + £2,109 (work experience) = £2,703**

Graffiti removal contract – potential Social Value

It is possible that the Social Value benefits from this contract may be worth 9% of the £30,000 cost of the contract over two years<sup>15</sup>.



<sup>11, 12, 13, 14, 15</sup> Footnotes overleaf

**Footnotes for Case Study 9:**

<sup>11</sup> DWP, April 2012, work experience programme impact analysis

<sup>12</sup> The DWP study is based on participants who are currently out of work and receiving JSA. We are aware that impacts may differ for those who are still in school, but in the absence of appropriate data here we assume that a similar amount of worklessness is prevented for in-school participants as is reduced for out-of-work participants.

<sup>13</sup> This figure is mostly composed of savings in benefits payments (estimated at £9,446), but also fiscal benefits from improved health (estimated at £579)

<sup>14</sup> DWP, April 2012, work experience programme impact analysis: as (25) above

<sup>15</sup> Figures are provided to the nearest £1000.

## Monitoring Performance

We want the process for monitoring performance to be clear for providers and commissioners. The commissioner or contract manager will work with provider organisations to ensure that monitoring is achievable and proportionate.

Monitoring how well the provider is performing and their compliance with the contract helps both the provider and the commissioner to check that social benefits are being achieved. This process is repeated at regular points throughout the life of a contract. A combination of data, evidence and/or case studies is shared between the provider and commissioner. They will look at

and note the achievements and any areas of improvement to ensure the agreed targets can be met. The commissioner or contract manager will offer advice and guidance to ensure the provider is accessing all of the resource and support available – depending on the types of social benefits being sought.

Incentives and dis-incentives will be agreed between the provider and commissioner in support of this process, maximising the impact and outcomes of the contract.

The reporting of outcomes and measures is an integral part of performance management. It ensures that the deliverables of the contract remain linked to the achievement of the principles of social value and the Council's strategic priorities.

We aim to build a picture of social value, benefits and impacts across the city. We will use this information and data to inform future commissioning, procurement planning and decision making to ensure we continue to make the greatest positive impact.

Some examples of measures that may be included within a tender are included at the beginning of the toolkit - Social Value Outcomes and Measures. 

## Understanding the Supply Chain

The Council aims to spend at least 25% of its commissioning and procurement budget with micro, small to medium businesses, social enterprises and voluntary and community organisations.

During the tender process bidders will be asked if they intend to sub-contract any part of the contract and if so to provide details of the key sub-contractors and their performance and monitoring arrangements. It is worth providers noting that any key sub-contractors they have may be invited to participate in an interview process by the Council. After  award of a contract, if a provider makes changes to the sub-contractor arrangements, they will need to seek the Council's approval beforehand.

We want to support the cash flow of organisations and businesses by aiming to promptly pay valid and undisputed invoices within 30 days. Performance in this area is monitored  published. There is a requirement expectation that this standard be replicated down the supply chain.

# Evaluating our Approach

## How will we know that our Policy and Toolkit has been effective?

We will evaluate the impact of the application of our Creating Social Value In Bristol, Draft Social Value Policy and whether we are delivering on the principles and aspirations we have set out.

The Service Director for Legal and Democratic Services is the lead Director for implementation of the Social Value Policy and for developing a joint approach with city partners as this work will be driven by the Partnerships, Procurement and Commissioning Service.

The Head of Procurement, Service Manager Partnerships, Procurement and Commissioning will take the role of Policy lead.

Evaluation of the impact of the Policy will be led by the Policy, Strategy and Communication Service Director.

The Information and Performance Service will lead on providing statistical data and performance information.

The FSB and Voscur will be asked to continue to contribute toward evaluation and review forming a cross sector scrutiny and challenge function.

We will report to our Business Change Directorate Leadership Team six monthly and Business Change Scrutiny Commission annually with a statistical (quantitative) and narrative (qualitative) report to show:

- total direct and indirect spend with micro, small to medium businesses, social enterprises and voluntary and community organisations and monitoring of our performance against our current target of 25%, this target will be reviewed on an annual basis and
  - tracking activity and trends to further understand how we may further increase our spend in this area.
- the number of contracts awarded to micro, small to medium businesses, social enterprises and voluntary and community organisations
  - monitoring the number of these organisations known to have bid,
  - using feedback invited after a tendering process to inform our approach, systems, processes and

practice during commissioning and procurement processes and to inform ongoing training and resources for commissioners and potential providers.

- the collated performance monitoring information of each of the contracts delivering social value outcomes each financial year.
- progress toward our SME Action Plan.

We will use feedback and 'lessons learned from the people of Bristol and our communities, bidders and providers, commissioners and procurers, decision makers and elected Members, and other key partners and stakeholders impacted by our Social Value Policy and Partnership Toolkit to monitor and review our success in achieving the objectives of our policy.

We will develop and share examples of local learning and good practice, that will include a programme of information and training for providers and officers.

We will use the new E-Procurement system to help build management information that will be used to understand activity and trends and where appropriate manage contracts and social value benefits.

As this work progresses, we will work with other local public sector organisations, such as the NHS, so that we can look at the social benefits of commissioning/procurement activity across the city. 

The **Creating Social Value in Bristol Policy and Toolkit** will be reviewed at 6 monthly intervals to ensure learning, evidence and best practice can be incorporated in a timely way. Unless fundamental policy changes are sought these revisions will be presented and agreed by the Strategic Leadership Team and Business Change Scrutiny Commission during the first 3 years post implementation.

Substantial policy revision will be presented to Cabinet as appropriate.



## Acknowledgements

We would like to thank the following groups and organisations for sharing their resources and contributing toward this Toolkit:

## Documents available in other formats:

If you would like this information in another language, Braille, audio tape, large print, easy English, BSL video or CD rom or plain text please contact: 0117 922 2726

Designed by Bristol Design, Bristol City Council BD8078

We welcome any comments about our Policy and Toolkit.

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Date adopted:

**BRISTOL CITY COUNCIL**  
**AUDIT COMMITTEE**  
**29<sup>th</sup> April 2016**

**Report of:** Interim Service Director: Finance

**Report Title:** Accounting Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty

**Ward:** City Wide

**Officer presenting report:** Julie Oldale – Interim Service Director: Finance,  
S151 Officer

**Contract Telephone Number:** 0117 92 22419

**RECOMMENDATION**

The Audit Committee approve the accounting policies that will be used in preparing the 2015/16 and note the critical accounting judgements made and key sources of estimation uncertainty.

**SUMMARY**

The report and attached appendices explain the accounting policies, critical accounting judgements and key sources of estimation uncertainty that will be used in preparing the 2015/16 accounts and updates the Committee on the main differences to those reported in the 2014/15 Statement of Accounts.

**Policy**

None affected by this report.

**Consultation:**

**Internal:** Consultation with senior finance officers

**External:** Not applicable

## **1. Background and Context**

- 1.1** This report summarises the changes in accounting policies that have been introduced as a result of amendments to the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. It also explains the requirement to include notes on critical accounting judgements and key sources of estimation uncertainty.

### **Accounting Policies**

- 1.2** The Council's accounting policies (see Appendix 1) form the framework for preparing and presenting the annual accounts. They set out the bases for recognising, measuring and reporting transactions within the annual accounts and are disclosed within the accounts.
- 1.3** The main changes arising from the Code of Practice on Local Authority Accounting 2015/16 relate to fair value measurement of certain assets and liabilities.
- 1.4** The opportunity has also been taken to fully review the accounting policies:
- deleting those that are not relevant to the Council - foreign currency translation, new and discontinued operations;
  - deleting policies for balances which are not material – intangible assets, inventory and the carbon reduction commitment;
  - removing excess detail from four policies; and
  - restating two policies - the Collection Fund and schools - to ensure full compliance with the Code.

### **Fair Value Measurement**

- 1.5** Fair value is a concept which underpins the measurement of a range of assets and liabilities in the balance sheet. Prior to 2015/16 fair value had not been consistently defined in the accounting profession and varied between different types of asset and liability. The Code adopts the fair value measurement accounting standard (IFRS 13 Fair Value Measurement) for the first time in 2015/16.
- 1.6** Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- 1.7** The impact for 2015/16 is as follows:
- no change to the valuation of operational property, plant and equipment;
  - surplus assets, investment property to be valued at fair value
  - liabilities (e.g. loans) to be valued at fair value to transfer the liability.
- 1.8** Fair value measurement involves a degree of estimation; hence Note 1 Accounting Policies (see Appendix 1) and Note 4 Estimation Uncertainty (see Appendix 3) include new elements to explain these issues.

## **Critical Accounting Judgements**

- 1.9** In preparing the accounts officers have exercised professional judgement in a number of key areas. These principally relate to:
- uncertainty over future levels of central government funding which could impact on the valuation of assets
  - the recognition of schools
  - whether to produce consolidated group financial statements.
- 1.10** The Code requires these critical accounting judgments to be disclosed – these are shown at Appendix 2.

## **Key Sources of Estimation Uncertainty**

- 1.11** In preparing the annual accounts there are areas where estimates are made. These include useful lives and valuations of properties which are estimated by qualified valuers, valuations of investments, the liability for future pension payments which is estimated by qualified actuaries and the provision for business rate appeals, based on claims received and previous experience of the outcome of appeals. Details of these are shown at Appendix 3.

## **Other Options Considered**

Not applicable.

## **Risk Assessment**

Not as a result of this report

## **Equalities Impact Assessment**

None necessary for this report

## **Legal and Resource Implications**

None arising from this report

## **Appendices**

Appendix 1: Accounting Policies

Appendix 2: Critical Judgements in applying Accounting Policies

Appendix 3: Assumptions made about the future and other major sources of estimation uncertainty.

## **LOCAL GOVERNMENT ACCESS TO INFORMATION**

**Note 1 – ACCOUNTING POLICIES****GENERAL PRINCIPLES**

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the CIPFA Service Reporting Code of Practice (SeRCOP) for Local Authorities 2015/16, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a 'going concern' basis.

**ACCRUALS OF INCOME AND EXPENDITURE**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

**CASH AND CASH EQUIVALENTS**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and are readily convertible to known amounts of cash with low risk of change in value.

Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management strategy.

**CHARGES TO REVENUE FOR NON-CURRENT ASSETS**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;

- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- Amortisation of intangible fixed assets attributable to the service.

## **COLLECTION FUND AND LOCAL TAXATION**

Bristol City Council is a billing authority for local taxation and collects:

- Council Tax on behalf of the Avon and Somerset Police and Crime Commissioner, Avon Fire Authority and itself; and
- Non Domestic Rates on behalf of the government, Avon Fire Authority and itself.

The Collection Fund Statement is an agent's statement which reflects the statutory obligation for billing authorities to maintain a separate Collection Fund which accounts for all local taxation collected and its re-distribution. The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's own share of the Collections Fund's accrued income for the year.

There is no requirement for a separate Collection Fund Balance Sheet since the assets and liabilities arising from collecting non-domestic rates and council tax are reflected in the financial statements of the bodies concerned, namely major preceptors, the billing authority and the Government.

Bristol City, Bath and North East Somerset, North Somerset and South Gloucestershire Councils participate in "City Region Deal", a Business Rates Retention Scheme introduced by the Government in April 2013. This scheme permits the participating local authorities to retain 100% of the growth in business rates collected across designated Enterprise Areas, this income is then used to fund approved economic development programmes. The Council applies the principals of International Public Sector Accounting Standard 23: *Revenue from non-exchange transactions* in accounting for the transactions and balances relating to City Region Deal.

## **EMPLOYEE BENEFITS**

### **Benefits Payable during Employment**

Monetary benefits such as wages and salaries, paid leave and bonuses, and non-monetary benefits (e.g. cars) for current employees are recognised as an expense in the year in which employees render service to the Council. An accrual is made to represent the cost of holiday entitlement earned but not taken at each year end, to meet Code and IAS requirements.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. When the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy, these costs are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

### **Post Employment Benefits**

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education.
- The Local Government Pension Scheme, administered by Bath and North East Somerset Council
- The NHS Pension Scheme, for Public Health employees, administered by NHS Pensions.

All of the above schemes provide defined benefits to members e.g. retirement lump sums and pensions, earned as employees working for the Council.

However, the arrangements for the Teachers' scheme and NHS Scheme mean that liabilities for these benefits cannot ordinarily be identified for the Council. These schemes are therefore accounted for as if they were defined contributions schemes and no liability for future payments of benefits is recognised in the Balance Sheet. Within the Comprehensive Income and Expenditure Statement the Children's and Education Services, and Public Health lines respectively are charged with the employer's contributions payable to Teachers' Pensions and NHS Pensions in the year.

### The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

The liabilities of the Avon Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees. Liabilities are measured on an actuarial basis discounted to present value, using the projected unit method. The discount rate to be used is determined in reference to market yields at balance sheet date of high quality corporate bonds.

The assets of Avon Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities - current bid price;
- Unquoted securities - professional estimate;
- Unitised securities - current bid price;

Property - market value.

The change in the net pension liability of the Council is analysed into the following components:

- Current Service Cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past Service Cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Net interest on the net defined benefit liability/asset, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability/asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset at the beginning of the period, taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments.
- Re-measurement of the return on plan assets – excluding amounts included in net interest on the net defined benefit liability/asset, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses - changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These changes are debited to the Pensions Reserve as Other Income and Expenditure.
- Contributions paid to the Avon Pension Fund - cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by- employees.

### **Discretionary Benefits**

The Council has restricted powers to provide discretionary post-employment benefits. Any such benefits are accrued for in the year of the decision to make the award and are charged to the Comprehensive Income and Expenditure Statement against the service in which the employees worked.

### **EVENTS AFTER THE REPORTING PERIOD**

Events after the balance sheet date are those events, both favourable and unfavourable, which occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period. In this instance, the Statement of Accounts is adjusted to reflect such events.
- Those relating to conditions that arose after the reporting period. In this instance, the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date when the Statement of Accounts is authorised for issue are not reflected in the Statement of Accounts.

### **FAIR VALUE**

The Council holds some of its assets, such as surplus property and assets held for sale, at fair value in accordance with IFRS 13 Fair Value Measurement, and the requirements of the Code. Fair value is the highest or best price that can be obtained in the principal or most advantageous market, in an orderly transaction between knowledgeable participants acting in their economic best interest at the measurement date. When measuring fair value the characteristics of the asset or liability are taken into account such as the location or any restrictions on use. The Council uses appropriate valuation techniques for each asset, maximising the use of relevant known data and minimising the use of estimates or unknowns. Valuation techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices that are observable for the asset, either directly or indirectly (for example an independent valuation based on the prices of similar but not identical assets)
- Level 3 inputs – unobservable inputs for the asset (for example a discounted cash flow estimation)

Where fair value cannot be measured reliably, the instrument is carried at cost less any impairment losses.

### **FINANCIAL INSTRUMENTS**

#### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. These are initially measured at fair value and are carried at

their amortised cost. The fair value of loans are valued at carrying value because it is not possible to derive a fair market value for the types of loans currently held by the Council. As annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument, the effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the Council's borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

## Financial Assets

Financial assets are classified into two types:

- Loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market;
- Available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

The valuation applied to fixed term cash deposits is their carrying value, as these assets cannot be sold and hence there is no market valuation.

## Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for that particular instrument. For most of the loans which the Council has made, the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement in the year is the amount which the loan agreement identified as receivable.

In addition, the Council has made a number of loans to voluntary organisations at less than market rates which are referred to as soft loans. The difference between the market rate and the rate at which the soft loan is given is recognised as an expense through the Comprehensive Income and Expenditure Statement. This movement is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a past event and there is a likelihood that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

## Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments – discounted cash flow analysis;
- Equity shares with no quoted market prices – the net worth of the company valued on a going concern basis.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain or loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

## GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

## HERITAGE ASSETS

The Council's Heritage Assets are predominantly on display in museum buildings and galleries in the city, held in storage or loaned out to other educational or cultural organisations. The Bristol museums and art galleries are home to millions of objects from all over the world which are held to support the primary objective of increasing the knowledge, understanding and appreciation of history and culture through the following:

- Art, Eastern art and applied art
- Archaeology, Ethnography and foreign archaeology including Egyptology and Geology
- Natural history, social history, industrial and maritime history.

These assets are all valued on a historic cost basis or an annual insurance valuation basis, except for the Antiquarian book stock which is valued by an external valuer once every five years.

The Council holds numerous ancient monuments and statues which are not recognised on the Balance Sheet because of the diverse and often unique nature of the assets held and the lack of comparable market values.

There is no depreciation charge against heritage assets because it is estimated that the assets have an extended and indeterminate useful life such that any depreciation charge would be negligible. The carrying values of Heritage Assets are reviewed when there is evidence of impairments e.g. when an asset has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any reductions to the carrying value of the assets are recognised and measured in accordance with the Council's general policy on impairments.

### **INTERESTS IN COMPANIES AND OTHER ENTITIES**

The Council has interests in subsidiary, associate or jointly controlled entities but these were not material in aggregate during the financial year 2015/16, and therefore it is not required to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as available for sale assets and carried at fair value.

### **INVESTMENT PROPERTY**

Investment properties are those that are used solely to earn rental income and/or for capital appreciation. The definition does not apply if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on "the highest or best price that can be obtained in the most advantageous market, in an arms' length transaction between knowledgeable participants at the measurement date". Investment Properties are not depreciated but are revalued annually according to market conditions at the year-end

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rental Income received in relation to investment properties is credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for sale proceeds, the Capital Receipts Reserve.

### **JOINTLY CONTROLLED OPERATIONS**

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the joint ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet only its own share of the jointly controlled assets and related liabilities. In its Comprehensive Income and Expenditure Statement it recognises those expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture together with its share of any income earned from the venture.

### **LEASES**

Leases are classified as finance leases where the terms of the lease transfer substantially all of the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

## **The Council as Lessee**

### Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. if there is a rent-free period at the commencement of the lease).

## **The Council as Lessor**

### Finance Leases

To date the Council has not granted any Finance Leases.

### Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **MINIMUM REVENUE PROVISION (MRP)**

The Council is not required to use Council Tax to fund depreciation, revaluation and impairment losses or amortisation of non-current assets. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance.

## OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP) for Local Authorities 2015/16. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs - the provision of post employment unfunded benefits awarded on a discretionary basis and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

## PRIOR PERIOD ADJUSTMENTS

Prior period adjustments arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are only accounted for prospectively i.e. in the current and future years which are affected by the changes, they do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices, or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change in accounting policy is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances for the current year and comparative amounts for the prior period as if the new policy had always been applied.

Where material errors are discovered in prior period figures they are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## SERVICE CONCESSIONS

Service concessions are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. As the Council is deemed to control the services that are provided under these schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets related to these contracts and recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the contract operator are analysed into the following elements:

- Fair value of any services received during the year;
- Finance cost - an interest charge of the effective rate of interest on the outstanding Balance Sheet liability;
- Contingent rent payable under the agreement;
- Lifecycle replacement costs where applicable;
- Payment towards liability - applied to write down the Balance Sheet liability to the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).

## PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

## Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Capital schemes above £0.2m are subject to annual review and any expenditure incurred which has not enhanced the asset's value is charged as an expense in the financial year that it is incurred. Expenditure on capital assets totalling less than £20,000 in any single financial year is classed as de-minimis and therefore is not capitalised but charged as an expense.

## Measurement

Assets are initially measured at cost, comprising:

- The purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure and community assets - depreciated historical cost;
- Assets under construction - historical cost;
- Dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH);
- Surplus assets – the current value measurement base is fair value, defined as “the highest or best price that can be obtained in the most advantageous market, in an arms’ length transaction between knowledgeable participants at the measurement date”.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

When decreases in value are identified, they are accounted for in the same way as an impairment.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

## Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for the depreciation that would have been charged if the loss had not been recognised.

## Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land, car parks, quay walls and lock gates, some Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Council dwellings - are depreciated based upon the Major Repairs Allowance for self-financing. This is considered to be a suitable proxy for component accounting
- Other buildings - straight-line allocation over the useful life of the property as estimated by a qualified valuer;
- Vehicles, plant and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer;
- Infrastructure, (excluding quay walls and lock gates) - straight-line allocation over 25 years.
- infrastructure, quay walls and lock gates in city docks are not depreciated as their economic life is beyond 100 years.

The Council applies component accounting to all assets with a net book value in excess of £5m - where the item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, identified components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or is decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government (up to a maximum ceiling). The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the HRA's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

### **Provisions**

Provisions are made where an event has taken place whereby the Council has a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the relevant provision. Estimated settlements are reviewed at the end of each financial year, where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made); the provision is reversed and credited back to the relevant service.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

## **RESERVES**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in

Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

The category of unusable reserves includes those reserves which are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained in the relevant notes.

## **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses out the amounts charged so that there is no impact on the level of council tax.

## **SCHOOLS**

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

## **VALUE ADDED TAX**

The Comprehensive Income and Expenditure Account excludes amounts relating to VAT and will be included as an expense only if it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income within the Council's Income and Expenditure account.

## **CITY REGION DEAL**

The Council has applied the principles of IPSAS 23 'Revenue from non-Exchange transactions (Taxes and Transfers)' in accounting for the transactions and balances relating to the City Region Deal.

Growth paid to the accountable body (South Gloucestershire Council) for the Business Rates Pool (BRP) is recognised by the Council as a debtor until such point that the funds are paid out by the BRP or committed by the Economic Development Fund (EDF) to fund future EDF payments in respect of approved programmes.

- Income - Income receivable by the Council from the BRP is recognised as revenue in the year in which it occurs. The council recognises revenue and a debtor balance to the extent that future EDF disbursements are to be received, have been committed to by the EDF, and sufficient uncommitted cash remains in the BRP to fund future payments.
- Expenditure – Expenditure is recognised by the Council on the earlier of payments being made by the BRP or where future EDF payments are committed to. Expenditure is recognised in proportion to the degree that the Council has contributed to the BRP through its growth figure, and is capped at the limit of the Council's payment of growth to the BRP in this period, and any previous growth figures paid over which have not been previously paid or committed by the BRP.

DRAFT

## Note 2 – ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

The Code requires the Council to disclose information relating to the impact of an accounting change that will be required by any new standards issued but not yet adopted.

The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2016. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts. Under the Infrastructure Code transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. This will consist of seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land.

The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This is likely to result in a revaluation gain due to the change from depreciated historic cost to the depreciated replacement cost basis of valuation. Thus the new valuation will reflect the current cost of replacement rather than the original cost of works, which could have built up over a significant period of time. If the changes had been implemented in 2015/16, based on current estimates, the value of infrastructure assets would increase from £116m to circa £4.4bn to £5.0bn with an equivalent increase in depreciation.

In addition there are a number of minor amendments to International Financial Reporting Standards, but these are not expected to have any material impact on the accounts.

DRAFT

**Note 3 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies laid out in Note 1, the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in this Statement of Accounts are as follows:

- There is a high degree of uncertainty about future levels of funding for local government. However the Council has determined that this level of uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of the need to close facilities and reduce existing levels of service provision.
- The Council has completed a school by school assessment across all types of school in the City and has concluded that it exercises effective control over all community schools and one Foundation Trust. Accordingly all income, expenditure, assets, liabilities, reserves and cash flows relating to these schools have been included in the Council's single entity accounts. The Council has concluded that it does not exercise effective control over the remaining two Foundation Trusts, or any of the academy schools, voluntary aided or voluntary controlled schools in the City, where control is exercised by either the school's governing body or by Clifton or Bristol Diocese. Transactions and balances relating to these types of school have consequently not been included in the Council's financial statements.
- The Council has significant interests in other entities which fall within the group boundary of the Council on the grounds of control and significant influence set out in the Code. However these interests both individually and in aggregate do not warrant producing consolidated group financial statements on the grounds of materiality.

**Note 4 - ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Consequence if actual results differ from assumptions
Property, Plant and Equipment (excluding Council dwellings)	<p>Asset valuations are based on market prices and are periodically re-valued using a 5-year rolling programme to ensure that the Council does not materially misstate its property, plant and equipment. If market prices change significantly, over time there will be a corresponding increase or reduction in the value of Council land and buildings.</p> <p>Assets are depreciated on the basis of the Council's estimate of their useful economic lives. Such estimates depend upon a combination of (1) the asset not being rendered redundant by new technology or changing service needs (2) adequate spending on repairs and maintenance.</p>	<p>A reduction in estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded in the Comprehensive Income and Expenditure Statement. If the value of the Council's property, plant and equipment was to reduce by say 10%, this would result in a £77m charge against the Revaluation Reserve and/or the Comprehensive Income and Expenditure Statement. A corresponding increase in estimated valuations would result in a combination of increases to the Revaluation Reserve and / or reversals of previous negative revaluations charged to the Comprehensive Income and Expenditure Statement.</p> <p>Depreciation charges for operational assets will change in direct relation to changes in their estimated useful lives. The total depreciation charge for property, plant and equipment in any given year is currently c£20m.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to: the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund investments. The Council has engaged Mercer Ltd, a firm of consulting actuaries, to provide expert advice about the assumptions to be applied.</p>	<p>Variations in the key assumptions will have the following impact on the net pension liability: <i>(information to be provided by actuary)</i></p> <ul style="list-style-type: none"> <li>• a 0.1% increase in the discount rate will reduce the net pension liability by £xxm</li> <li>• a 0.1% increase in the assumed level of pension increases will increase the net pension liability by £yym</li> <li>• an increase of one year in longevity will increase the net pension liability by £zzm</li> </ul>
Business Rates	<p>Following the introduction on 1 April 2013 of the Business Rates Retention Scheme, Local authorities are liable for</p>	<p>The Council's provision for rating appeals is c£9m at the year end. Any understatement or overstatement of this</p>

	<p>successful appeals against business rates charged since 2014/15, and for earlier years in their proportionate shares. A provision has been recognised for this potential liability based on best available information, including Valuation Office (VOA) ratings appeals lists, and an analysis of successful appeals to date.</p>	<p>liability would lead to a future adjustment charged to the Collection Fund in the year of recognition.</p>
<p>Fair value estimation</p>	<p>Asset valuations are based on either:</p> <ul style="list-style-type: none"> <li>• market prices for surplus assets and non-current assets held for sale: or</li> <li>• the net worth of unquoted companies in which the Council has a controlling or significant interest.</li> </ul> <p>If valuations change significantly there will be a corresponding increase or reduction in the Balance Sheet value of these assets.</p>	<p>If the value of the Council's surplus property, for example, was to reduce by 10%, this would result in a c£2m reduction to Property, Plant and Equipment and a corresponding reduction to Unuseable Reserves in the Balance Sheet.</p>
<p>Provision for doubtful debts</p>	<p>As at 31 March 2016, the Council had an outstanding balance on short term debtors of £xxm. A provision for bad and doubtful debts totalling £yym has been made against this amount following a review of the aged debt analysis and significant individual balances at the year end, taking account of the nature of the debt and previous success in collection. .</p>	<p>An understatement of doubtful debts would lead to future adjustment and a corresponding impairment charged against the relevant service cost. Any significant deterioration in collection rates would lead the Council to review this calculation and increase its bad debt provision.</p>
<p>Service concession and finance lease liabilities</p>	<p>The balance sheet value of outstanding liabilities is calculated using a discounted cash flow estimate based on expected future cash flows and the implied interest rate over the term of the contract.</p>	<p>Service concession and finance lease liabilities total c£155m at the year end. Any refinancing or renegotiation of the contracts could affect the calculation of implied interest rates and hence the value of these outstanding liabilities.</p>

**BRISTOL CITY COUNCIL  
AUDIT COMMITTEE**

**29 April 2016**

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

**Title: BDO's Fee Letter for 2016-17**

**Ward: Citywide**

**Officer presenting report: Julie Oldale – Interim Service Director - Finance**

**Contact telephone number: 0117 9222428**

**RECOMMENDATION**

The Audit Committee note, and comment as appropriate, on BDO's Audit Fee letter for 2016-17.

**Summary**

Attached to this report is the BDO's Audit Fee letter, which sets out the proposed audit fee and outline programme for 2016-17.

**Policy**

None affected by this report. The Audit Commission has statutory responsibility for inspection and assessment at the Council. BDO 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:** BDO consulted with senior finance officers before finalising this report.

**External:** None.

**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: BDO's Audit Fee Letter 2016-17

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

**Background Papers:** None

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# BRISTOL CITY COUNCIL

Planning Letter 2016/17

20 April 2016

# PROPOSED FEES

## Scope of the audit

We are required to report to you our proposed fees and programme of work for the 2016/17 financial year.

### Code audit fee

The Code audit fee is based on the work required under the Code of Audit Practice issued by the National Audit Office and covers the audit of the financial statements and value for money conclusion.

Public Sector Audit Appointments Limited (PSAA) is responsible for setting the scale fees for local authorities and consulted on the proposed work programme and scale of fees in October 2015. There are no planned changes to the overall work programme for 2016/17 and the scale audit fees have been set at the same level as 2015/16, although it acknowledges that for some authorities a change in accounting requirements relating to highways infrastructure assets will require additional audit work. We have provisionally increased the proposed fee by £10,000 for this (subject to approval from PSAA). PSAA has the power to determine the fee above or below the scale fee where there has been a change that requires substantially more or less work than envisaged by the scale fee.

### Certification of housing benefits subsidy claim

PSAA makes arrangements for certification of housing benefit subsidy claims. An indicative fee is set based on the latest actual certification fees available but this is reset annually and the 2016/17 indicative fee is not yet published.

### Audit related services

Audit related services are those non-audit services that are largely carried out by members of the engagement team where the work involved is closely related to the work performed in the audit and the threats to auditor independence are clearly insignificant and, as a consequence, safeguards need not be applied. In recent years, a number of grants and returns were included in the certification scale fee that are no longer mandated for review by PSAA, but still require certification by the auditor.

### Other non-audit services

Other non-audit services are those services not closely related to the work performed in the audit that could be provided by a number of firms. Auditors are prevented from undertaking such work if it would present a threat to independence for which no adequate safeguards are available. Independence concerns may arise due to the nature of the work or from the value of fees derived.

## Fees

AUDIT AREA	PROPOSED FEE 2016/17 (£)	SCALE FEE 2016/17 (£)	PROPOSED FEE 2015/16 (£)
Code audit fee	203,687	203,687	203,687
Highways audit (subject to PSAA approval)	10,000		0
Certification fee (TBC)	10,703	TBC	10,703
Audit related services			
- Venturer grant claim	n/a	n/a	1,500
- Local transport plan	n/a	n/a	4,500
Non audit services			
- None	0	n/a	0
<b>Total fees</b>	<b>224,390</b>		<b>220,390</b>

### Amendments to the proposed fees

If we need to propose any further amendments to the fees during the course of the audit or where our assessment of risk and complexity are significantly different from those reflected in the proposed fee, we will first discuss this with the Director of Business Change and Director of Finance. Where this requires a variation to the scale fee we will seek approval from the PSAA.

If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

At this stage, nothing has come to our attention that would require us to seek approval to further amend the scale fee.

### Arrangements from 2017/18

CLG has confirmed that the current contracts negotiated by the Audit Commission in April 2014 will be extended for one year. As a result, the Council will be required to make a local appointment for external audit services from 2018/19.

# AUDIT ARRANGEMENTS

## Planned outputs

We plan to issue the following reports and opinions over the course of the 2016/17 audit:

REPORT	DATE
Progress reports to the Audit Committee	each meeting
Audit plan	January 2017
Report on any significant deficiencies in internal controls, if required, based on the results of our interim audit visit	April 2017
Final report to those charged with governance	September 2017
Independent auditor's report including: <ul style="list-style-type: none"> <li>Opinion on the financial statements</li> <li>Value for money conclusion</li> <li>Certificate</li> </ul>	September 2017
Consistency opinion on the summarisation schedules	October 2017
Summary of findings from the audit in the annual audit letter	October 2017
Grant claims and returns certification report	December 2017

## Audit team

The key members of the audit team will be:

### Engagement Lead - Greg Rubins

email: [greg.rubins@bdo.co.uk](mailto:greg.rubins@bdo.co.uk)

Tel: 0238 088 1892

Greg will be responsible for the overall delivery of the audit including the quality of outputs and liaison with senior management.

### Technical and VFM lead - Matthew Hepenstal

Email: [matthew.x.hepenstal@bdo.co.uk](mailto:matthew.x.hepenstal@bdo.co.uk)

Tel: 0238 088 1888

Matthew will provide support on key technical issues and our value for money work.

### Project Manager - Pamela Evans

email: [pamela.evans@bdo.co.uk](mailto:pamela.evans@bdo.co.uk)

Tel: 0117 973 1584

Pamela will manage and co-ordinate each aspect of the audit and will be the key contact with the Finance team.

## Client satisfaction

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact Greg Rubins in the first instance. Alternatively, you may wish to contact our Managing Partner, Simon Michaels. Any complaint will be investigated carefully and promptly. If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales ("ICAEW").

In addition, the PSAA complaints handling procedure is detailed on their website <http://www.psaa.co.uk/about-us/contact-us/complaints/>.



The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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**BRISTOL CITY COUNCIL  
AUDIT COMMITTEE**

**29<sup>th</sup> April 2016**

**Report of: Chief Internal Auditor**

**Title: Draft of Internal Audit Plan 2016/17**

**Ward: Citywide**

**Officer presenting report: Melanie Henchy-McCarthy/ Alison Mullis,  
Chief Internal Auditor (Job Share)**

**Contact telephone number: 0117 92 22063/22448**

**RECOMMENDATION**

The Audit Committee is recommended to review and comment upon the draft internal audit plan which is currently out for consultation. The Committee should ensure it covers areas over which they require audit assurances.

**Summary**

This report and attached Draft Internal Audit Plan for 2016/17 provides the Committee with progress to date in drafting the internal audit plan. It is anticipated that the outgoing Committee should input to the plan at this stage before it is finalised and re-presented to the incoming Audit Committee in June 2016. The report is provided so that the Committee can advise on areas they require Internal Audit assurance in the coming year.

**The significant issues in the report are:**

- The formulation of the plan to date (paragraph 2 – 4 of report)
- The Internal Audit Plan 2015/16 (Appendix 1)

**Policy**

The Audit Committee Terms of Reference includes overseeing the activity of Internal Audit.

**Consultation**

**Internal:** In progress with Strategic Directors, Directorate Leadership Teams, S151 Officer, City Director, Audit Committee, Deputy Mayor.

**External:** In progress with External Auditors - BDO

**1. Purpose of the Report**

- 1.1 The Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end, it should seek assurance that the key areas that contribute to this framework are operating properly.
- 1.2 The Council's Internal Audit service is a key component of the assurance framework and the Audit Committee's Terms of Reference includes a requirement to provide independent assurance to the Council in relation to internal audit activity. The Audit Committee need to consider if the planned Internal Audit work is appropriate and sufficient to provide the Committee with the assurance it requires. Public Sector Internal Audit Standards 2013 include guidance that the Committee should review, assess and, when finalised, approve the Internal Audit work plan.

## **2. Internal Audit Planning Process and Draft Plan**

- 2.1 Internal Audit is mandatory in local government. Under the Accounts and Audit Regulations 2015, Section 5, the Council 'must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'
- 2.2 Internal Auditing is defined as 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes' (source: Public Sector Internal Audit Standards).
- 2.3 In planning our work, our aims are to:
  - ensure we can fulfill our statutory obligation to the Council in respect of providing an opinion on the Councils whole risk, governance and control environment at the end of 2016/17
  - help the Council meet high standards of service delivery, conduct and governance by examining, evaluating and reporting on the risk management, governance and internal control environment
  - ensure we are in a position to deliver other elements of work that we do on behalf of the Council which also support our year end opinion.
- 2.4 The level of Internal Audit resources required to examine all Council activities far exceeds those available each year. It is therefore important to ensure our work is planned to ensure the maximum benefit is achieved in respect of the above aims and that our work is risk based.
- 2.5 In preparing our plan we look to provide reasonable assurance to Audit Committee, SLT and other stakeholders regarding all key areas within the Council risk, governance and control environment as follows:



2.4 In developing the plan, we have so far undertaken a desk top review of the potential risk areas for Audit review. In doing so we have considered:

- The risks and mitigations recorded in the Corporate Risk Register and in Directorate Risk Registers to ensure we can provide independent assurance regarding the management of those risks
- The Council's and national fraud risk registers that are specific to local authority operations
- The areas identified by the Council's Annual Governance Review process as potential governance issues.
- The results of our work last year to determine where follow up reviews are required.
- Our own risk assessment of all processes and operations across the Council. This risk assessment is based largely on the corporate impact of the process/area for review and our understanding of the strength of the control framework which is in place to mitigate the likelihood of loss or error in that area. The latter also takes into considered the length of time since the area last received audit attention.

2.5 The result of that review is the draft plan at Appendix 1. The plan sets out a work programme that will enable us to form an opinion on the whole of the Council's risk management, internal control and governance arrangements based on sampling risk management strategies and control/governance systems.

### **3. Consultation:**

3.1 Internal Audit are not managements only source of assurance and in ensuring the maximum benefit is made of our resource, we need to ensure we have correctly assessed and fully understood the key risks to achievement of the Council's objectives and how our assurances fit with other sources of assurance.

3.2 Additionally, we need to ensure that the plan also focuses on areas that our main stakeholders feel would benefit from audit attention. As such, we have shared our draft plans and are in the process of having detailed discussions with the following people/groups before finalising our plan:

- City Director
- Strategic Directors/Directorate Leadership Teams
- S151 Officer
- External Audit
- Audit Committee
- Deputy Mayor

3.3 Once finalised, the plan will be resubmitted to the Audit Committee for approval.

### **4. Other Options Considered**

4.1 None necessary

### **5. Risk Assessment**

5.1 An adequate and effective internal audit service, as well as a statutory requirement, is an integral part of good governance. A sound Internal Audit planning process minimises the risk of non-compliance with statute and good practice, and at the same time maximises the value that Internal Audit adds to the Council's governance arrangements and internal control environment.

### **6. Equalities Impact Assessment**

6.1 None required for this report.

### **7. Legal and Resource Implications**

**Legal** - none sought

**Resources** - none arising from this report.

**Appendices:** Appendix A – Draft Internal Audit Plan for Internal Audit 2016/17

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

#### **Background Papers:**

Audit Planning Files, Public Sector Internal Audit Standards

## Internal Audit Draft Plan 2016/17

Type	Source and or CRR/DRR Risk Ref	Directorate	Sub section	Subject
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Planned Assurance ProgrammeStrategic Risk Management

Assurance	DRR9	BC	Strategic	Bristol Workplace Programme
Assurance	DRR11	BC	Strategic	Service Income Generation
Assurance	CRR11	CORP	Strategic	Council Companies - Compliance with Code
Assurance	CRR2	CORP	strategic	Digital Service/strategy
Assurance	CRR9	CORP	Strategic	Devloution Project governance
Assurance	CRR 9	CORP	Strategic	West of England Partnership Governance
Assurance		CORP	Strategic	Audit of Corporate Risk Management
Assurance	DRR2	NH	Strategic	Waste Management
Assurance	CRR1	PE	strategic	Homelessness - Review of new strategy
Assurance	DRR1	PL	Strategic	Place Programme Management
Assurance	CRR1	PE	Strategic	Safeguarding (Adults and Childrens)
Assurance	CRR 7	PE	Strategic	Learning City
Assurance		Corp	Risk	Assurance Mapping - CRR
Assurance	CRR3	CORP	Partnership	LEP and City Deal(Analytical Review)

Core Governance Systems

Assurance		Corp	Governance	Annual Governance Review and Statement
Assurance	CRR4/CF	CORP	Governance	Capital Programme and Capital Programme Board
Assurance	CRR2	CORP	Governance	Customer Complaints System
Assurance	CRR6	CORP	Governance	Scheme of Delegation
Assurance	cf CRR2	CORP	Governance	Hospitality registers and declarations of interest
Assurance	CRR3	CORP	Governance	Members Declarations of Interest and Code of Conduct
Follow Up	CRR4	CORP	Governance	Business Continuity Planning/Disaster Recovery
Assurance		CORP	Governance	Enforcement Activity
Assurance		CORP	Governance	Whistleblowing review - Annual (incl confidence on-line survey)
Assurance	DRR 12 BC	CORP	Governance	Service Planning
Assurance	CRR3	Corp	Governance	Partnership Governance - Corporate Approach

Financial Control Systems

Assurance		BC	Financial Controls	NNDR
Assurance	CRR6	BC	Financial Controls	Payroll/HR System
Assurance	CRR6	BC	Financial Controls	Financial Systems Interfaces
Assurance		BC	Financial Controls	General Ledger Journal Movements - Control over journals
Assurance	cf	BC	Financial Controls	Housing Benefits
Assurance		BC	Financial Controls	Accounts payable - request for payments (payments by spreadsheet)
Assurance		BC	Financial Controls	Accounts Receivable
Assurance		BC	Financial Controls	E Returns Income
Assurance	CRR6	BC	Financial Controls	ABW - Bank Reconciliation & Income Manager
Assurance		BC	Financial Controls	End of year closure procedure
Assurance		BC	Financial Controls	Security Services/Cash in Transit
Assurance	CRR6	CORP	Financial Controls	Budgerary Control and Forecasting
Assurance		PE	Financial Controls	Bettter Care Funding - Care Accounts
Assurance		PE	Financial Controls	Payments to Private Day Centres/Residential Care Homes – Payments for services against contractual arrangements
Assurance		PE	Financial Controls	Billing for Care Services to those in residential homes
Assurance		PL	Financial Controls	Parking – Income
Assurance	C/FWD	CORP	Financial Controls	Purchase Card Review
Follow Up	CRR3	CORP	Financial Controls	Non Pay panel follow up
Follow Up		PE	Financial Controls	People Directorate - Budgetary Control

Procurement and Commissioning Control Reviews

Assurance		CORP	Procurement	Procurement Compliance Audit
Assurance		CORP	Procurement	Procurement analytical review of variations
Assurance	CRR8	CORP	Procurement	Strategic Commissioning
Assurance	CRR8	NH	Procurement	Sports Centres Contract Monitoring/Commissioning
Assurance	CRR8	PE	Procurement	Children's Service Contracts
Assurance	CRR1	PE	Procurement	Electronic Monitoring System Contracts – Monitoring of providers.
Assurance		PE	Partnerships	Joint Commissioning Children - Health Partnerships

Asset Management Control Reviews

Assurance		PL	Assets	Asset Transfer - Effectiveness of policy, community transfer etc.
Assurance		PL	Assets	Sale and Diposal of Council Assets

Assurance		PL	Assets	Asset Register (Capital Accounting System)
Assurance	NH DRR1	PL	Assets	Fleet Maintenance and Management

### Information Security Control Reviews

Assurance		CORP	ICT Systems	Network/Desktop Security Review - including user access admin controls & Firewall
Assurance		CORP	ICT Systems	E Procurement System
Assurance		CORP	ICT Systems	ICT Resilience and Cyber Security
Assurance		PE	ICT Systems	Childrens Systems
Assurance		PE	ICT Systems	ConTRocc
Assurance		PL	ICT Systems	Corporate Property - Agresso Business Works
Assurance	CRR3	PE	Partnership	Information Sharing Protocols and Working Together
Follow Up	FU	PE	ICT Systems	Liquid Logic (Social Care system)

### Operational Risk Management:

Assurance		NH	Operational	Cems & Crems incl Paupers Buriels
Assurance		BC	Operational	Employment Status (Right to work and references etc)
Assurance		NH	Operational	Housing Response Repairs
Assurance	DRR1	NH	Operational	Housing Planned Maintenance Programme
Assurance		NH	Operational	Housing Voids
Assurance		NH	Operational	Licensing
Assurance		PE	Operational	Home to School Transport
Assurance		PE	Operational	Aids & Adaptions
Assurance		PE	Operational	Area Social Work Teams
Assurance	Req	PE	Operational	Bristol Community Links 3 Hubs
Assurance		PE	Operational	Foster Care Payments
Assurance		PE	Operational	Grants to Voluntary Organisations (Avoidance of procurement regs)
Assurance		PE	Operational	Community Financial Support Projects (looking after service users personal affairs)

### Schools Assurance Programme

Assurance		PE	Schools	Sample of Primary Schools (15)(including a sample who have opted out of payroll services)
Assurance		PE	Schools	Sample of Nurseries & Childrens Centres (5)
Assurance		PE	Schools	Sample of Special Schools (2)
Assurance		PE	Schools	Sample of Secondary Schools (1)
Assurance		PE	Schools	School Fund Audit Certificates
Assurance		PE	Schools	Collating SFVS Returns

### Grant Certification

Grant		BC	Certification	Gigabit Grant
Grant		BC	Certification	Other grant (provision for ad hoc grant certifications received)
Grant		CD	Certification	Carbon Efficiency Grant
Grant		CD	Certification	Warm Up Bristol (Sign off due Sept)
Grant		CD	Certification	DECC Grant
Grant		NH	Certification	Scambuster Grant Audit
Grant		NH	Certification	Disability Facilities Grant
Grant	DRR5	PE	Certification	Troubled Families Initiative Grant Certification Process – Complex criteria, June Certification
Grant	DRR5	PE	Certification	Troubled Families Initiative Grant Certification Process – Complex criteria, Jan Certification
Grant	DRR5	PE	Certification	Troubled Families Initiative Grant Certification Process – Complex criteria, April Certification
Grant		PL	Certification	Cycle Ambition Fund 2
Grant		PL	Certification	LSTF West
Grant		PL	Certification	LSTF Key Component
Grant		PL	Certification	Better Bus Area Fund 2

### Value for Money Reviews

VFM		BC	VFM	Benefit - Change of Circumstance Review
VFM		BC	VFM	Debt Recovery
VFM		CORP	VFM and Controls	Consultants (Analytical review of spend and delivery)
VFM		CORP	VFM	Re-charging of council services
VFM	FU	CORP	VFM	Telephone Review (Ceased number, charging)
VFM	cf	CORP	VFM	Debtors to Creditors Analysis
VFM	cf	PE	VFM	Approach to debt recovery in care services (foster care, meals service)
Fraud - Tenancy		NH	VFM	Pay to Stay (Higher Rent for > £30k capital)

### Consultancy and Advice

Consultancy	CRR2	BC	Change	Applied Programme - Cohort 4 - Working with Service Managers to advise on risk and control
Consultancy	CRR3	CORP	Change	Financial Regulations Development
Consultancy	CRR3	BC	Change	Financial Governance Improvement
Audit Committee		CORP	Audit Committee	Audit Committee Support
Consultancy	CRR3	Corp	Governance	Code of Governance update
Consultancy	CRR3	Corp	Risk	Corporate Risk Register /Directorate Risk Register
Consultancy		Corp	Risk	Risk Management Guidance (incl web)
Consultancy		Corp	Risk	Risk Management Overview and Reporting
Consultancy		Corp	Risk	Risk Management Integration and Automation
Consultancy		Corp	Risk	Risk Management Benchmarking/Best Practice

Consultancy		CORP	Consultancy	General Liaison and Advice
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## Proactive and Responsive Fraud Agenda

### Fraud Prevention Work

Fraud - Prevention		CORP	Policy	Fraud Risk Register Review and maintenance
Fraud - Prevention		CORP	Policy	Bribery and Corruption Review
Fraud - Prevention		CORP	Awareness	Fraud Loss Profile Tool - research
Fraud - Reporting		CORP	Awareness	Annual Fraud Update Report
Fraud - Reporting		CORP	Compliance	Transparency Code Data Reporting
Fraud - Strategic		CORP	Awareness	Annual Fraud Survey
Fraud - Prevention		CORP	Awareness	Fraud awareness induction and staff
Fraud - Prevention		CORP	Awareness	Fraud and warning bulletins
Fraud - Prevention		CORP	Awareness	Fraud web pages review and Maintenance
Fraud - Prevention		PE	Awareness	Fraud Awareness Training - Schools
Fraud - Prevention	C/FWD	PE	Awareness	Schools Fraud Healthcheck
Fraud - Prevention		PE	Awareness	Social Worker - Fraud Prevention training
Fraud - Tenancy		NH	Awareness	Tenancy Fraud awareness training
Fraud - Prevention		BC	Controls Testing	Money Laundering - Testing of controls over refunds
Follow up		PE	Controls Testing	Homelessness - follow up
Follow up		PE	Controls Testing	Direct payment Fraud Prevention - Follow up
Follow up		CORP	Follow up	St George S106 Follow up
Fraud - Prevention		CORP	General	Business Case - National Fraud Initiative Application Checker
Fraud - Prevention		CORP	General	Business Case - ID Validation
Fraud - Tenancy		NH	Tenancy	Business Case/Research Ilatch System

### Fraud Responsive Work

Consultancy		CORP	Fraud Responsive	Gain Enquiries
Consultancy		CORP	Fraud Responsive	Responsive Investigations - contingency

### Fraud Detection Programme based on Fraud Risk Assessment:

#### Fraud Risk Area

Fraud - Detection		BC	Benefits	Benefit Fraud - Liaison and Monitoring SLA with DWP.
Fraud - Detection		BC	Benefits	Benefit Fraud - Information Exchange with DWP
Fraud - Detection		BC	Benefits	Landlords to Benefit Claimants data match
Fraud - Prevention	C/FWD	BC	Benefits	Residual Benefit Fraud Prosecutions
Fraud - Tenancy		NH	Tenancy	Tenancy Fraud casework
Fraud - Tenancy		NH	Tenancy	Tenancy Fraud prosecutions
Fraud - Tenancy		NH	Tenancy	Tenancy National Fraud Initiative
Fraud - Tenancy		NH	Tenancy	Tenancy Fraud Advertising and marketing
Fraud - Detection		CORP	Various	National Fraud Initiative 2016-17
Fraud - Detection		CORP	Various	National Fraud Initiative - Household Composition Pilot
Fraud - Detection		BC	Ltax	NDR Fraud or Evasion
Fraud - Detection		BC	Ltax	Single Persons Discounts/Council Tax Reduction Review plus NFI out put review
Fraud - Detection		BC	Ltax	Council Tax Reduction - Case work and fines
Fraud - Detection		PL	Parking	Car Parking Income
Fraud - Detection		CORP	Payment	Fiscal Fraud Module
Fraud - Detection	FRR/PPP	BC	Procurement	Procurement intelligence and analysis
Fraud - Detection	Follow up	PE	Emergency Funds	No Recourse to Public Funds - proactive work
Fraud - Detection		CORP	General	Fraud Hotline
Fraud - Detection	C/FWD	CORP	General	Tied Properties

### Audit Service Development

Development		CORP	Development	Service Benchmarking
Development		CORP	Development	Workforce strategy and training plan
Development		CORP	Development	Sale of Services
Development		CORP	Development	Fraud Management System implementation and development, testing
Development		CORP	Development	Fraud Team - Review of Investigation Templates
Development		CORP	Development	Networking Groups
Development		CORP	Development	Audit Automation Business Case
Development		CORP	Development	Best Practice Development

**BRISTOL CITY COUNCIL**

**Audit Committee**

**29<sup>th</sup> April 2016**

**Report of:** Strategic Director – Business Change

**Report Title:** Annual Report – Risk Management

**Ward:** Citywide

**Officer presenting report:** Alison Mullis/Melanie Henchy-McCarthy, Chief Internal Auditor (job share)

**Contact Telephone Number:** 0117 92 22448/22063

**RECOMMENDATION**

The Audit Committee note the progress and areas for future development regarding risk management arrangements in the City Council.

**SUMMARY**

This report provides details of the key developments in risk management during 2015/16 and summarises the assurances provided to the Audit Committee throughout the year.

**The significant issues in the report are:**

- Progress made in improving Corporate Risk Management arrangements during 2015/16. (Paragraph 2 - 4)
- Action plan to further develop risk management arrangements and ensure they are embedded and effective. (Appendix 1)

**Policy**

The Audit Committee Terms of Reference includes the provision of independent assurance to the Council in relation to the effectiveness of the council's governance arrangements, risk management framework and internal control environment.

**Consultation:**

**Internal:** Strategic Leadership Team, Audit Committee

**External:** None necessary

## **1. Introduction**

- 1.1 In 2014, the Council's approach to Strategic Risk Management was reviewed and developed to include a new style Corporate Risk Register (CRR) which was to be formally reviewed 6 monthly. Additionally, a requirement for Directorate Risk Registers to be maintained and considered by management teams and the Directorate Scrutiny was agreed. The new arrangements were at that time formalised in a new Risk Management Policy and awareness raised via the Extended Leadership Team and Executive Board.
- 1.2 Work in 2015 and to date in 2016 has concentrated on embedding these arrangements to ensure Strategic Risk Management is a robust and useful tool to senior management and Members before formalising risk management requirements more widely throughout the Council.

## **2. The Corporate Risk Register**

- 2.1 The CRR is an integral element of the Council's Strategic Risk Management arrangements and aims to support the delivery of the Council's objectives by setting out the strategic high level risks facing the Council in delivering its plans and how they are ensuring these risks are effectively managed.
- 2.2 During 2015/16 Internal Audit facilitated reviews of the CRR through the Strategic and Extended Leadership Teams and the Executive Board. In line with agreed scrutiny arrangements an updated version of the CRR was presented to the Audit Committee for review and scrutiny at their meetings in September 2015 and January 2016.
- 2.3 As part of the CRR review process, a benchmarking exercise comparing Bristol's risk register with those of other Core Cities was undertaken in October 2015. The findings were presented and considered as part of a risk management workshop with Extended Leadership Team in November 2015. Generally the risk comparison confirmed that all the Core City Council's risk registers commonly reflect similar risks as Bristol's CRR.
- 2.4 Moving forward and to enable real time updates to be made to the register, the CRR will in future be available to officers on the Extended Leadership Team via Alfresco – the Council's information capturing and sharing software. Risk or mitigation owners will be able to update the register as and when necessary to ensure an up to date 'draft' register is available at all times across the management team. It is hoped that this will release resource in Internal Audit to change their focus to quality review and independent challenge of the CRR and the Directorate Risk Registers rather than updating the CRR.

### 3. Directorate Risk Registers:

- 3.1 Good progress has been made with the development of Directorate Risk Registers (DRRs) since July 2015 to manage risks at Directorate level. The four Directorates now have their own risk registers in place which are periodically scrutinised by their Director Leadership Teams and six monthly by the individual Directorate Scrutiny Commissions. Scrutiny has taken place as follows for each DRR as detailed below and the registers were also presented once a year to Audit Committee for information and assurance that this process is taking place.

Directorate	Date of DRR Scrutiny	Date Provided to Audit Committee
Business Change	<ul style="list-style-type: none"><li>• 20<sup>th</sup> July 2015</li><li>• 15<sup>th</sup> February 2016</li></ul>	<ul style="list-style-type: none"><li>• 11<sup>th</sup> March 2016</li></ul>
Neighbourhoods	<ul style="list-style-type: none"><li>• 14<sup>th</sup> September 2015</li><li>• 11<sup>th</sup> April 2016</li></ul>	<ul style="list-style-type: none"><li>• 27<sup>th</sup> November 2015</li></ul>
People	<ul style="list-style-type: none"><li>• 7<sup>th</sup> September 2015</li><li>• Now due</li></ul>	<ul style="list-style-type: none"><li>• 27<sup>th</sup> November 2015</li></ul>
Place	<ul style="list-style-type: none"><li>• 13<sup>th</sup> July 2015</li><li>• 21<sup>st</sup> January 2016</li></ul>	<ul style="list-style-type: none"><li>• 29<sup>th</sup> January 2016</li></ul>

### 4. Risk Management Policy

- 4.1 To ensure that the Council's risk management policy remains current it was reviewed and updated during the year. The final revision was considered and approved by the Audit Committee at their January 2016 meeting. The policy was posted on the Council's intranet pages and awareness raised via the Extended Leadership Team.

### 5. Further Improvement

- 5.1 Now that the CRR, DRRs and Policy arrangements are in place and working, focus will be shifted to further embedding risk management arrangements throughout the Council. Appendix 1 provides a summary of the areas that will be reviewed and developed over the coming year to achieve this including a focus towards providing greater challenge on the content of the strategic risk registers, raising awareness of risk management more widely across the organisation and increasing alignment with other key Council processes such as corporate planning and performance management.
- 5.2 Consideration is being given to an independent review of the Council's strategic risk management arrangements given that Internal Audit, who would normally provide that independent assurance, are operationally involved in developing the policy and framework.

## **6. Conclusions**

- 6.1 The new risk management arrangements have become established with good levels of engagement from the Strategic, Extended and Directorate Leadership Teams. The scrutiny arrangements have also been operating effectively during 2015/16. It is felt that the Council is now well positioned to further develop/ formalise its risk management arrangements.

## **7. Risk Assessment**

- 7.1 A robust and effective integrated framework for business planning, monitoring and reporting that incorporates risk management should improve the effectiveness of the Council's service delivery and minimise the risk of failures in the Council's service provision.

## **8. Equalities Impact Assessment**

- a. None necessary for this report.

## **9. Legal and Resource Implications**

9.1 Legal – N/A

9.2 Resource – N/A

## **Appendices**

- Appendix 1 – Draft Action Plan for Further Improvement

## **LOCAL GOVERNMENT ACCESS TO INFORMATION**

**Background Papers**      Strategic Risk Management Review

**Action plan to further improve and embed risk management arrangements**

	<b>Improvement area and Planned Actions</b>	<b>Responsibility</b>	<b>Timeframe</b>
1	<p><b>Corporate Risk Register – Continue Development</b></p> <ul style="list-style-type: none"> <li>• Increase accessibility and ownership of CRR by posting to Alfresco</li> <li>• Explore the possible benefits of an automated risk management solution</li> <li>• Carry out qualitative reviews/challenge of information in the CRR and DRRs</li> <li>• Improve linkages between the CRR and DRRs</li> <li>• Continue risk management workshop sessions with ELT</li> </ul>	<p>Internal Audit Internal Audit Internal Audit DLTs/Internal Audit ELT/Internal Audit</p>	<p>April 2016 March 2017 On-going On-going On-going</p>
2	<p><b>Directorate Risk Registers - Continue Development</b></p> <ul style="list-style-type: none"> <li>• Support DLTs in further development of DRRs</li> <li>• Ensure DRR review quarterly by DLT along with performance review</li> <li>• Ensure 6 monthly scrutiny and challenge by Directorate scrutiny</li> <li>• Ensure annual submission to Audit Committee for information and process assurance</li> </ul>	<p>Internal Audit Strategic Director Strategic Director Strategic Director</p>	<p>On-going On-going On-going On-going</p>
3	<p><b>Aligning risk management with policy, planning and performance management:</b></p> <ul style="list-style-type: none"> <li>• Work closely with colleagues in policy and performance to ensure risk management arrangements are properly aligned and considered in future developments</li> </ul>	<p>Policy/Performance Team and Internal Audit</p>	<p>On-going</p>
4	<p><b>Embedding and Awareness:</b></p> <ul style="list-style-type: none"> <li>• Maintenance of risk management guidance and source pages</li> <li>• Undertake a survey to assess awareness and understanding of risk management of managers at all levels across the organisation</li> <li>• Run Corporate wide training sessions targeted on areas identified from the survey results</li> </ul>	<p>Internal Audit Internal Audit Internal Audit</p>	<p>On-going September 2016 March 2017</p>
5	<p><b>Strengthening the Support and Challenge provide by Internal Audit</b></p> <ul style="list-style-type: none"> <li>• Regular meetings with Directorate’s management and change programme leads to review and understand key risks etc.</li> <li>• Attendance at DLT to facilitate risk discussion as necessary</li> <li>• Networking/Benchmarking with other LA risk experts</li> <li>• Review approach and policy to keep it ‘fresh’</li> </ul>	<p>Internal Audit Internal Audit Internal Audit ELT/Internal Audit</p>	<p>On-going On- going On-going Annually</p>

**BRISTOL CITY COUNCIL**

**Audit Committee**

**29<sup>th</sup> April 2016**

**Report of:** Chief Internal Auditor

**Title:** Audit Committee Draft - Annual Report to Council 2015/16

**Ward:** Citywide

**Officer Presenting Report:** Melanie Henchy-McCarthy, Alison Mullis  
(J/S) Chief Internal Auditor

**Contact Telephone Number:** 0117 92 22063/22448

**RECOMMENDATION**

The Committee comment on the content of the Audit Committee's draft annual report to Full Council (attached at Appendix A to a summary covering report). The report details the Committee's assurance to Council at paragraphs:

- 3.1–3.4 regarding risk management
- 3.5–3.9 regarding internal control and the Annual Governance Statement (AGS)
- 3.10 -3.13 regarding internal audit
- 3.14-3.19 regarding external audit and governance
- 3.20-3.24 regarding anti-fraud arrangements
- 3.25 regarding Member standard matters
- 3.26 regarding Treasury Management

**Summary**

This report describes the Committee's role, the work programme for this municipal year and furnishes the Committee with a facility to provide key assurances to the Council. It also details the planned development of the Committee to strengthen the level of assurance provided in the future.

**The significant issues in the report are:**

- Appendix A – a draft report of the Committee to Council

**Policy**

1. The Audit Committee's Terms of Reference are determined by Full Council and are reflected in the Risk Management Strategy and Policy Statement. The City Council

has a duty to ensure adequate and effective risk management, internal control and governance arrangements and the economy, efficiency and effectiveness of its activities. The Audit Committee has a key role in assessing the extent to which this responsibility is being met and advising the Council on the adequacy and effectiveness of these arrangements.

## **Consultation**

**2. Internal:** None necessary

**External:** None necessary

## **Other Options Considered**

N/A

## **Risk Assessment**

The assurances provided to the Council by the Audit Committee are an important element of the Council's governance arrangements.

## **Equalities Impact Assessment**

None necessary for this report

## **Environmental Impact Assessment**

None necessary for this report

## **Legal and Resource Implications**

**Legal** - none sought

**Resource** - none affected by this report

## **Appendices:**

Appendix A Draft Report of the Audit Committee to Council for 2015/16 (Including Full Council covering report)

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

### **Background Papers:**

CIPFA Audit Committees Practical Guidance for Local Authorities 2013  
Audit Committee Reports and Papers from June 2015 to date.  
Annual Audit and Inspection Letter 2015/16  
Annual Report to those charged with Governance 2015/16

# BRISTOL CITY COUNCIL

## FULL COUNCIL

July 2016

**Report of:** The Audit Committee

**Title:** Audit Committee - Annual Report 2015/16

**Ward:** Citywide

**Officer Presenting Report:** Councillor Mark Brain, Chair of the Audit Committee (2015/16)

**Contact Telephone Number:** 0117 37 73526

### RECOMMENDATION

That Council accepts the report of the Audit Committee at Appendix A, and notes the assurances provided in the report.

#### Summary

The report sets out the work and performance of the Audit Committee during 2015/16, and the extent to which the Committee's terms of reference have been met.

#### The significant issues in the report are:

- |                |   |
|----------------|---|
| Para 2         | the effectiveness and impact of the Audit Committee   |
| Para 3.1-3.4   | the Committee's assurance regarding the management of key risks facing the Council  |
| Para 3.5-3.9   | the Committee's assurance regarding the internal control, risk management and corporate governance arrangements which were considered in preparation of the Council's published Annual Governance Statement |
| Para 3.10-3.13 | the Committee's assurance on the effectiveness of Internal Audit  |
| Para 3.14-3.19 | a summary of External Audit assurances on the internal control, risk management and governance arrangements   |
| Para 3.20-3.24 | a summary of anti-fraud assurances  |
| Para 3.25      | Members Standards Matters   |
| Para 3.256     | the Committee's assurance on the effectiveness of Treasury Management   |
| Para 4         | the way forward for the Audit Committee in 2016/17.   |
| Para 5         | issues around the independence of the Committee   |
| Para 6         | training and development of Committee Members   |

## Policy

1. The Audit Committee's Terms of Reference are determined by Full Council and are reflected in the Risk Management Strategy and Policy Statement. The City Council has a duty to ensure adequate and effective risk management, internal control and governance arrangements and the economy, efficiency and effectiveness of its activities. The Audit Committee has a key role in assessing the extent to which this responsibility is being met and advising the Council on the adequacy and effectiveness of these arrangements.

## Consultation

### 2. Internal

Internal Audit  
Audit Committee Members  
S151 Officer

### 3. External

Not Applicable

### 4. Context

- 4.1 The Audit Committee was established by the City Council at its meeting on 16<sup>th</sup> May 2006. Whilst there is no statutory obligation to have such a Committee, they are widely recognised as a core component of effective governance.

### 5. Proposal

- 5.1 The report of the Audit Committee, and the assurance and comments therein, be noted.

## Other Options Considered

N/A

### 6. Risk Assessment

The purpose, strategy and work programme for the Audit Committee mitigates against any failure by the Council to obtain independent assurance in relation to the governance processes underpinning :

- an effective risk management framework and internal control environment
- the effectiveness of financial and non-financial performance (to the extent it affects exposure to risk and poor internal control)
- the Annual Governance Statement, and
- the review and approval of the annual statement of accounts.

In the course of its work the Audit Committee has added value by initiating a planned review and improvement process across particular areas of weakness variously identified in this report. It has effectively strengthened the corporate effort to achieve the Council's objectives and to meet the requirements and standards overseen by the external auditors and other regulatory bodies.

## **Equalities Impact Assessment**

None necessary for this report

## **Environmental Impact Assessment**

None necessary for this report

## **Legal and Resource Implications**

**Legal** - none sought

**Resource** - none affected by this report

## **Appendices:**

Appendix A Audit Committee Annual Report 2014/15

## **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 Background Papers:**

CIPFA - Toolkit for Local Authority Audit Committees 2015.  
Audit Committee Reports and Papers from June 2006 to date.  
Annual Audit and Inspection Letter 2014/15  
Annual Report to those charged with Governance 2014/15



## AUDIT COMMITTEE



**ANNUAL REPORT  
2015 - 16**

## **Foreword:**

### **Introduction by Chair of Audit Committee**

This report provides an overview of the Audit Committee's activity during the municipal year 2015 - 16.

I am pleased to report that the Committee has continued its vital work in providing independent assurance on the adequacy of the Council's risk management framework and the associated control environment, and in providing robust scrutiny and challenge of the Authority's financial performance. It does this in a non-political way because it is only by being apolitical that the Audit Committee can really be effective.

The importance of governance, risk management and strong controls being embedded in the regular business of the Council must not be underestimated and as such the Audit Committee have provided support for this by focussing on the key areas.

The Committee is gratified to note that work has continued throughout the year to further strengthen the Control, Risk and Governance environment within the Council. It has been particularly encouraged that a number of the Annual Governance Statement issues raised in the 2014/15 Statement have now been resolved to a level where they are no longer considered significant. Additionally, a number of the issues whilst not having been fully resolved at this time are clearly on their way to full resolution. However, there is still no room for complacency and the Committee would urge the Council to continue the improvements into the next financial year and beyond.

2015 was Bristol's European Green Capital year and the Committee received a number of progress reports from Bristol 2015 Ltd, the company set up to administer the funds, projects and programmes which ran throughout the year. The Committee believe the governance arrangements within Bristol 2015 Ltd were satisfactory overall.

The Chair and independent members have welcomed a number of new members to the Committee including new councillors. This refresh of membership has provided a good opportunity to revisit a number of areas which the longer serving members may have taken for granted.

As outlined in the body of this report, the Committee has been actively engaged with the Chief Internal Auditor(s) and with the External Auditors, both the outgoing– Grant Thornton and the incoming BDO LLP. I would like to take this opportunity to thank the officers from Grant Thornton for all their help and support over the years and to welcome BDO LLP whom the Committee look forward to working with in the future. I would also like to thank those who served on the Committee during 2015/16. Of course my thanks go to my fellow councillors of all parties who sit on the committee and bring a wealth of experience with them but particular thanks go to the two independent members who serve on the committee providing us with their expertise as well as their independent voices. My thanks also go to the Council officers who have supported the work of the Committee and have been especially supportive to me in my role as Chair. Lastly I would like to extend my thanks to the Deputy Mayor, Councillor Geoff Gollop who despite being under no obligation to attend

Audit Committee meetings has attended regularly, listening to the views of members and engaging constructively in discussion.

In looking forward to 2016 - 17 and beyond, and given both the continued financial pressures and the internal changes facing the Council, the importance of an effective Audit Committee remains critical in providing independent assurance on the control, risk and governance framework and challenging where this environment is in need of improvement. Along with my fellow members I look forward to meeting those challenges.



*Councillor Mark Brain  
Chair, Audit Committee*

DRAFT

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## 1 TERMS OF REFERENCE

- 1.1 The City Council has a duty to ensure adequate and effective risk management, internal control and governance arrangements and the economy, efficiency and effectiveness of its activities. The Audit Committee has a key role in assessing the extent to which this responsibility is being met and advising the Council on the adequacy and effectiveness of these arrangements.
- 1.2 Full Council has delegated the following functions to the Audit Committee:
- Duty to review and consider the effectiveness of the Council's system of internal control and approve the annual governance statement; review and consider the effectiveness of the Council's internal audit, consider and approve the statement of accounts (Accounts and Audit (England) Regulations 2015).
- 1.3 Promoting and maintaining high standards of conduct by Members and co-opted Members. The Committee is required specifically to advise the Council in respect of:
- the adoption or revision of the Code of Conduct for Members and any associated Codes or Protocols
  - advice and training for Members on the Code of Conduct
  - considering and determining any allegations of misconduct by a Councillor if the Monitoring Officer requests assistance
  - considering nominations made by Group Whips for the conferring of the title 'honorary alderman' and 'honorary alderwoman' and making recommendations to Full council thereon
  - to monitor the register of Members' interests.
- 1.4 The Committee's Terms of Reference were, for 2015/16, to provide independent assurance to the Council in relation to:
- the effectiveness of the Council's governance arrangements, risk management framework and internal control environment including overseeing:
- risk management strategies
  - anti-fraud arrangements
  - whistleblowing strategies
  - Internal and External Audit activities
  - the effectiveness of the Council's financial and non-financial performance to the extent it affects exposure to risk and poor internal control
  - the Annual Governance Statement
  - the review and approval of the annual statement of accounts, confirming the appropriate accounting policies have been followed, including the external

auditor's report to "those charged with governance" on issues arising from the audit of the accounts

- In accordance with the Public Sector Internal Audit Standards, the Committee must also have involvement with:
  - the appointment/dismissal of the Chief Internal Auditor
  - monitoring the performance of the Chief Internal Auditor

1.5 The Committee has continued its responsibility for monitoring Treasury Management which encompasses the following:

- Receiving, reviewing and challenging quarterly and annual reports
- Reviewing, commenting and challenging the Treasury Management Strategy before it is agreed by Full Council.

Please see paragraph 3.25 for further details.

## **2. AUDIT COMMITTEE EFFECTIVENESS AND IMPACT**

2.1 Effective audit committees can bring many benefits to local authorities including:

- increasing public confidence in the objectivity and fairness of financial and other reporting
- providing additional assurance on the robustness of the Authority's arrangements through a process of independent and objective review
- raising awareness of the need for internal control and the implementation of audit recommendations, reinforcing the importance and independence of internal and external audit and other similar internal and external review processes.
- providing support and challenge to Director of Finance in providing sound financial management

2.2 The Audit Committee's activities have been designed to provide assurance to the Council and to make a positive contribution towards improvement of the governance arrangements across the Council. Details of the work programme are attached at Appendix A and the benefits achieved in each area are detailed in the remainder of this report, however in summary the Committee has actively participated in the following areas throughout the year:

- Challenging of officers with regard to the control and governance framework within the Council
- Review and challenge of the Annual Governance Statement and monitoring of the actions taken to address the significant issues identified in that Statement.
- Monitoring the Corporate Risk Register and challenging the improvements therein
- Working closely with the External Auditor in overseeing the Council's financial statements
- Matters concerning Members, including Code of Conduct and disclosures

where appropriate

- The adequacy of the Internal Audit function including resourcing
- Monitoring and challenging Fraud prevention, detection and subsequent investigation
- Receiving an update on the Information Security Strategy
- Receiving and recommending to Council the Treasury Management Strategy and receiving update reports as appropriate
- Consideration and challenge of the Council's new system for dealing with Complaints, Freedom of Information Requests and Compliments
- Considering a number of reports on the governance arrangements in place at Bristol 2015
- Considering partnership risks, governance and value for money.
- Receiving and challenging reports on the Markets Financial Operations and the application of the Markets Charter.
- Considering a report on the MetroBus Value for Money and Funding
- Considering the Code of Practice for wholly owned Trading Companies

2.3 In accordance with the International Standards of Auditing (ISA) 260, the External Auditor, Grant Thornton, presented the Audit Committee with their Annual Report to those charged with Governance for 2014-15. Their report highlights the key issues arising from the audit of the Council's financial statements, and states they have nothing to report in terms of the annual governance statement not complying with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

2.4 The Committee has maintained a varied and yet targeted work programme over the past year in that it has challenged areas where concerns have been raised whilst maintaining an understanding of the overall control, risk and governance environment within the Council, as such it has met its terms of reference requirements.

2.5 The Committee has been assessed against the Chartered Institute of Public Finance and Accountancy (CIPFA) Guidance on Audit Committees' 'Good Practice' checklist to ensure it operates in line with generally accepted practices. The results of the self-assessment have been used to inform the Committee's work programme going forward and identify areas where there is a training need. A copy of the checklist is attached to this report for information. (Appendix B)

**Comment [MH1]:** (To follow workshop at April 2016 meeting)

### 3. ASSURANCES

#### Risk Management

3.1 The Committee have received the Corporate Risk Register (CRR) as a full agenda item on two occasions during the year. Work on refreshing the directorate risk registers in line with the CRR format and risk matrix has been completed during the year with the appropriate Scrutiny Commissions monitoring the directorate risk registers periodically throughout the year and the Committee receiving the Registers as information items annually.

- 3.2 The Committee has continued to scrutinise the Corporate Risk Register in order to ensure it is as informative as possible without losing the strategic overview of key risks faced by the Council and the necessary actions to mitigate those risks. The Committee has monitored the implementation of actions by their target date and challenged those that have slipped.
- 3.3 In conclusion, the Committee has praised the work of Internal Audit and officers on the Corporate Risk Register in that it is now a fair reflection of the strategic risks the Council faces. It has also praised the revised layout of the Register stating it is easier to understand and monitor progress. The Committee recognises the work that has been completed on the directorate risk registers and the fact that they are now aligned with the Corporate Risk Register risk matrix.
- 3.4 Moving forward and to enable real time updates to be made to the register, the CRR will in future be available to officers on the Extended Leadership Team via Alfresco – the Councils document sharing software. Risk or mitigation owners will be able to update the register as and when necessary to ensure an up to date 'draft' register is available at all times across the management team.

#### **Annual Governance Statement (AGS)**

- 3.5 In order to ensure effective internal control systems have been established and are maintained, and as an integral part of the Annual Governance Statement, the Committee has continued to receive reports on the control framework and how the annual review and assurance process is conducted.
- 3.6 The annual review of the AGS is currently in progress, and the Committee is satisfied it is a robust review process.
- 3.7 The Committee is pleased to note that a number of the matters raised in the 2014/15 Statement have now been resolved and that the resolution of matters arising in the 2015/16 Statement has generally progressed well. The Committee received regular updates on the AGS Action Plan throughout the year and noted that a number of matters had progressed to a point that they were no longer considered a significant governance risk and as such were removed from the action plan. The Committee acknowledges that although these items are no longer on the action plan, Internal Audit continue to maintain a watching brief on the matters identified to ensure improvement continues.
- 3.8 The Committee also received an Internal Audit report on the Financial Governance arrangements in place for the Change Programme which was recognised as a significant matter in the AGS. The report concluded that the financial governance arrangements are acceptable. This outcome coupled with the good outcome from the previous Governance review has resulted in the Change Programme being removed from the AGS action plan as it is no longer considered a significant governance risk; however the Committee acknowledge that the Change Programme continues to be a strategic risk and will therefore remain on the Corporate Risk Register.
- 3.9 In line with best practice, and recommendations from CIPFA and the Society of

Local Authority Chief Executives (SOLACE) in relation to Governance, a Code of Corporate Governance was developed in 2008/9. The Code will be subject to a fundamental review now the all-out elections have taken place. The review will also take account of the revised guidance as provided by CIPFA/SOLACE which came into effect in April 2016.

### **Internal Audit Assurance**

- 3.10 Internal Audit is a key source of assurance for both Members and officers on the effectiveness of the control environment. The Committee has a responsibility for ensuring that Internal Audit is effective in the provision of this assurance.
- 3.11 The Committee has received regular reports and information from the Chief Internal Auditor including:
- Internal Audit's risk based planning methodology and annual plans which were approved by the Committee in June 2015, together with the draft Internal Audit plan for 2016/17 giving the Committee the opportunity to consider the areas for inclusion before the plan is finalised.
  - Periodic update reports detailing Internal Audit's activity, performance against targets and areas where the control environment needs attention.
  - An annual Fraud Update report detailing the fraud/irregularity and Value for Money work which has been undertaken on the Council's behalf and the outcomes there of.
  - An Annual Report from the Chief Internal Auditor, in line with best practice in the CIPFA Public Sector Internal Audit Standards (PSIAS), which provided an opinion on the control environment and the effectiveness of proactive anti-fraud work undertaken.
  - The extent to which Internal Audit recommendations have been implemented. The Committee has continued to emphasise the importance of implementing Internal Audit's recommendations and has supported Internal Audit in its work to ensure control weaknesses are effectively dealt with
  - A final Annual report for 2014/15 on the work of Housing Benefit Fraud Investigation Team, with update on the ongoing work by the Internal Audit Investigation Team provided in the annual fraud update report and as part of the Internal Audit periodic reports.
  - The Committee also received an Internal Audit report on the Council's compliance with the Transparency Code 2015 and were pleased to note that the Council complied with the information that must be provided and with a number of areas where providing the information was optional.
- 3.12 Receipt of the above reports has enabled the Committee to draw conclusions

regarding:

- independence and objectivity
- approach and performance against targets set
- compliance with professional standards of Internal Audit as defined by CIPFA guidance
- staffing resources in respect of numbers and skills
- the working relationship between Internal and External Audit
- the extent to which Internal Audit support the work of the Committee

3.13 Overall, the Committee is able to provide the Council with assurance that an adequate and effective internal audit service is in place, however the Committee have maintained a watching brief on the resourcing level within the Internal Audit service giving consideration to the limited resource that was in place during the year. The Committee are pleased to note that the team is now fully resourced and would like to pass on their thanks to the team for maintaining an adequate level of assurance despite their fluctuating resource during 2015/16.

#### **External Audit Assurance - Governance and Statement of Accounts**

3.14 External Audit (EA) is an essential part of the process of accountability for public funds, providing an independent opinion on the financial statements, and reviewing aspects of governance and financial management as well as arrangements for securing economy, efficiency and effectiveness across the Council. Working closely with Internal Audit, the External Audit programme ensures that statutory responsibilities are delivered, without duplication of audit work. The Committee has reviewed both programmes to ensure this is the case.

3.15 Assurance received from the External Auditors, Grant Thornton, for 2015/16, is detailed in the work programme. Most significantly, the External Auditor's governance report (ISA 260) summarises conclusions from their audit work and provides their statutory opinion on the accounts and the Council's arrangements for achieving value for money. The EA reported an unqualified opinion for both the annual review of the Statement of Accounts for 2014/15 and the Value for Money conclusion.

3.16 The Committee also received the EA's Annual Audit Letter for 2015/16 in November 2015 which together with concluding an unqualified opinion on both the annual accounts and the Value for Money conclusion also concluded:

- that the Council's consolidation pack in support of the Council's Whole of Government Accounts submission was consistent with the audited financial accounts.

Additionally, the Committee received the EA's annual grant certification letter in January 2016, the letter concluded that one return relating to Housing Benefit for

financial year 2014/15 had been certified, there were however a number of matters arising which were discussed during the meeting and addressed by Council officers.

- 3.17 From its work to date, the Committee is not aware of any areas of significant duplication or omission in the systems of governance in the authority which have not been adequately addressed.
- 3.18 The Committee said goodbye to the current external auditor – Grant Thornton and welcomed BDO LLP during the municipal year. The BDO LLP contract is for three years starting from the 2015/16 financial accounts. The Committee has received an overview of the new EA's work programme for the coming year.
- 3.19 Local Public Audit Bill– the Committee continue to maintain a watching brief on the implementation of this bill and the ultimate effect it may have on the external audit provision within the Council in that it received a report for information at its March 2015 meeting. It was noted that the Council will need to have appointed its external auditor by December 2017 in order for them to be in place to begin their engagement in April 2018, but that the arrangement for a possible sector-led option is still in the early stages.

#### **Anti-Fraud and Whistle-blowing**

- 3.20 Countering fraud and corruption is the responsibility of every Member and officer. The Audit Committee's role in this area has been to oversee, monitor, support and enable effective actions to be taken to counter fraud. In doing so, the Committee has continued to receive reports from the Chief Internal Auditor in respect of fraud and irregularities investigated by the Internal Audit Investigations team and proactive fraud work undertaken in respect of exercises such as the National Fraud Initiative (NFI) and Tenancy Fraud Initiative.
- 3.21 In January 2016 the Committee considered a Fraud Update report, presented by Internal Audit, providing information on the current developments in respect of fraud against the public sector and how the Council is responding to them. The report included the outcomes from a number of assessments in good practice with regard to the prevention, detection and investigation of Fraud. The checklists completed were:
- The European Institute for Combatting Corruption and Fraud' (TEICCF) Check list
  - CIPFA's Counter Fraud Assessment Tool

The assessments identified a few matters which required attention and these were dealt with immediately, including an amendment to the Council's Anti-Fraud, Bribery and Corruption Strategy and Policy which was approved by the Committee at its January 2016 meeting.

- 3.22 The Committee recognise that the work of Internal Audit on Tenancy fraud has continued successfully during 2015/16. The number of properties recovered to date is 40 which represents not just a saving to the Council in terms of the cost of short term accommodation for displaced families, but also a message to the citizens of

**Comment [MH2]:** To be updated before final report as this figure reached by qtr 3.

Bristol that the Council supports the families and communities within Bristol in ensuring that those in greatest need receive assistance. The Committee are aware that despite funding for this exercise having ceased at the end of 2014/15, Internal Audit have continued to provide this service with the assistance of other services within the Council.

- 3.23 The Committee noted that the internal audit service continue to provide the Single Point of Contact (SPOC) for the Department of Work and Pensions Single Fraud Investigation Service (SFIS) with regard to Housing Benefit (HB) Fraud. Although all HB fraud is now investigated by SFIS the Council remains responsible for administering Housing Benefit and for providing information to SFIS on suspected fraudulent claims.
- 3.24 The Council's anti-fraud arrangements are generally in line with best practice with just a few areas identified for improvement. The Council understand the fraud threats it faces and works proactively to tackle the issues. The Council accepts that fraud will happen, particularly in the current climate, and where it does it reacts accordingly.

#### **Member Standards Matters:**

- 3.25 The Committee have considered matters appertaining to Members including:
- Appointment of Honorary Aldermen/Women
  - Consider applications for dispensations

In the matter of recommending the appointment of Honorary Aldermen/Women the Committee have commissioned a criterion to be drawn up so that all applications are considered in an equitable manner, removing the subjective element from the decision.

Although the Committee retains responsibility for Member conduct issues should the Monitoring Officer deem that it needs to become involved, no matters have been brought to the Committees attention, all issues having been dealt with by the Monitoring Officer and the Independent Member for Standards.

#### **Treasury Management**

- 3.26 The Committee have considered and where appropriate actively challenged the following reports with regards to treasury management:
- Quarterly update reports
  - Annual Strategy Report and Practices

The Committee consider that Treasury Management is satisfactory within the Council.

## 4. LOOKING FORWARD

4.1 During the coming year the Committee will further develop the assurances it is able to provide, and its contribution to an effective control framework by continually reviewing the Work Programme to ensure that it maximises its contribution to the governance and control framework, at the same time practicing agenda management in order to ensure that all meetings are equally productive without losing sight of the key issues. The work programme that in addition to consideration of statutory and other key items as “those charged with governance” incorporates:

- topics brought forward from earlier years:
  - Financial governance – monitoring improvements in transactional processes and the launch of a revised Financial Regulations and Scheme of Delegations.
  - Risk Management – continue to support and challenge the risk management arrangements within the Council and the mitigation of the risks there of.
  - Overseeing Members Standards, reviewing policies and procedures
  - Information Security/Strategy
  - Appointment of External Auditor in accordance with the Local Public Audit Bill
  - Treasury Management annual and quarterly update reports.
  - Customer Relations – report on the how the new system is impacting on response times and lessons learnt.
  - Partnerships – methodology for monitoring Risks/Opportunities and Value for Money
- New Areas
  - Commissioning Governance – as the Council increases its provision of service through commissioning/partnership the need for effective governance in this area continues to be important
  - Business Continuity Planning – impact of changes in working practices and business locality.
  - Monitoring the performance of the Trading Companies

## 5. INDEPENDENCE

5.1 In 2015/16 the Audit Committee's membership was:

- Councillor Brain (Chair)
- Councillor Alexander
- Councillor Hopkins
- Councillor Means
- Councillor Mead

- Councillor Thomas
  - Ken Guy - independent member (Vice Chair)
  - Brenda McLennan - independent member
- 5.2 The CIPFA best practice guidance suggests the need for independence of the Audit Committee, however some members of the Committee have continued to benefit from their involvement with the Business Change Scrutiny Commission, in that they have gained an understanding of the performance, financial and otherwise, of the City Council and issues around risk management, control and governance.
- 5.3 To assist in preserving the Committee's independence and provide a clear distinction between the Audit Committee and Scrutiny Commission roles, other measures have continued, including:
- the appointment of independent members from outside the City Council for four-year terms, one of whom is currently serving as Vice Chair
  - the Chair of the Audit Committee and the Chair of the Business Change Scrutiny Commission are different Members
  - ensuring clarity about the terms of reference for both the Audit Committee and the Scrutiny Commissions, to ensure a clear distinction in the roles.
  - The appointment of an independent member who deals solely with matters appertaining to Member standards and code of conduct.

## 6. TRAINING AND DEVELOPMENT

- 6.1 In order to be effective, members of the Committee have recognised that, when serving on the Committee, they should be apolitical and objective, and have a clear understanding of risk management, internal control and governance issues, and how the arrangements in place across the City Council operate.
- 6.2 A training session on the Statement of Accounts for 2014/15 took place in July 2015 and was hosted by the then external auditor's Grant Thornton, having an externally hosted session resulted in more focus on the mechanism of the annual accounts without resorting to the specific detail of Bristol City Council's accounts. A further refresher will be provided, by the new EA for Members in preparation for their consideration of the 2015/16 accounts.
- 6.3 The Committee participated in a workshop in April 2016, resulting in a collective assessment of the effectiveness of the Committee. The results of this assessment will be used to inform the training provision for Committee members and Council Members as a whole. The session also identified further governance areas for consideration by the Committee in 2016/17.
- 6.3 The Council's subscription to CIPFA's Better Governance Forum provides useful briefings for Audit Committees and these are shared with Members. Updates for 2015/16 have included:
- Financial Statements
  - Audit Committee Effectiveness

Additionally, the briefings provide updates in governance matters and other hot topic areas relevant at the time of publication.

- 6.4 The training needs of the Committee members will be subject to on-going assessment, and training provided as required.

## **7. CONCLUSION**

7.1 The Committee has demonstrated that it adds value to the Council's overall governance framework in that it has:

- Met the requirements under its terms of reference; in particular it has:
  - Provided robust and constructive challenge to the overall control and assurance environment of the Council.
  - Added value to the Risk Management process
  - Undertaken training in relevant areas as and when they have been identified.
  - Considered the governance within the Council's wholly owned trading companies.
- During 2016/17 the Committee will undertake to :
  - Continue to request officers to attend Committee meetings to aid in its understanding of the services and to aid in maintaining the momentum of ongoing improvements in the Risk, Control and Governance framework within the Council.
  - Assess its compliance against the CIPFA good practice guidance and act on the outcomes from that exercise;
  - Undertake continued training and development in relevant areas as and when they are identified.

## **8. Appendix:**

- Appendix A – 2015/16 final Work Programme
- Appendix B – CIPFA 'Good Practice' checklist for audit committees.

**BRISTOL CITY COUNCIL  
AUDIT COMMITTEE**

**29<sup>th</sup> April 2016**

**Item No 14**

**Report of: the City Director**

**Report Title: Draft Annual Governance Statement 2015/16**

**Ward: Citywide**

**Officer presenting report: Melanie Henchy-McCarthy/ Alison Mullis, Chief  
Internal Auditor(J/S)**

**Contact Telephone Number: 0117 92 22063/22448**

**RECOMMENDATION**

The Audit Committee consider and agree the draft Annual Governance Statement together with an updated Action Plan as a fair reflection of the internal control and governance environment during 2015/16 and to date, prior to it being finalised and signed by the Mayor, the City Director and the s151 Officer in July 2016.

**SUMMARY**

The City Council is required by the Accounts and Audit Regulations 2015 to prepare an Annual Governance Statement to accompany its published financial statements. A review of the internal control, risk management and governance arrangements has taken place and the resulting draft Statement and action plan is attached to this report.

**The significant issues in the report are:**

- the requirement for the Annual Governance Statement
- the review process undertaken to enable the Statement to be made
- the draft Annual Governance Statement is attached together with an action plan which details the most significant control and governance issues identified both in previous years and during 2015/16 together with the actions for improvement in these areas which have either reached completion or are in progress.

**Policy**

Publication of an Annual Governance Statement is a requirement of the Accounts and Audit Regulations 2015. Additionally, the Council's Risk Management Policy Statement requires the Audit Committee to review the Annual Governance Statement to ensure it accurately reflects the internal control, risk management and governance arrangements in place.

## **Consultation:**

**Internal:** Elected Mayor, Deputy Mayor, Strategic Leadership Team (SLT), Section 151 Officer, Audit Committee, other relevant officers (Monitoring Officer, Chief Internal Auditor)

**External:** None necessary

## **1. Introduction**

- 1.1 Arising from the Accounts and Audit Regulations 2015, the Council is required to conduct an annual review of its system of internal control, and publish an Annual Governance Statement (AGS) with the annual Statement of Accounts. The process is a key mechanism for ensuring that the Council has an effective system of internal control and governance, and that any shortfalls are identified and addressed.
- 1.2 The Annual Governance Statement must be a fair reflection of the internal control and governance environment during 2015/16 up to the date of being signed by the Mayor, City Director and Section 151 Officer alongside the 2015/16 Annual Statement of Accounts in July 2016. The External Auditors will review the draft AGS in detail as part of their audit of the Statement of Accounts for 2015/16. The AGS will be updated in September to reflect any governance changes that have occurred since this report.
- 1.3 Internal Audit have reviewed and updated the AGS Action Plan in line with the Corporate Risk Register review process, reporting the results of its review to the Committee on a quarterly basis. This has ensured the Action Plan remained up-to-date and reflective of the control environment within the Council throughout the year.
- 1.3 The Accounts and Audit Regulations 2015 also specify that the AGS is considered by “the organisation itself, or a Committee of the organisation”, and this requirement is being met by this submission to the Audit Committee.

## **2. Draft AGS**

- 2.1 The draft AGS describes the Council's governance framework and the review process. It then sets out, in the appended action plan, significant issues regarding the governance and internal control environment which were identified in previous years and those identified in-year during 2015/16, together with details of improvement action which has taken place and the issue's status at this time. In determining the issues to disclose, in the absence of specific AGS guidance, account has been taken of the previous Chartered Institute of Public Finance & Accountancy (CIPFA) guidance on the Statement on Internal Control (the forerunner to the AGS). This includes considering whether the issues had:
  - seriously prejudiced or prevented achievement of a principal objective

- resulted in the need to seek additional funding to allow it to be resolved or had resulted in a significant diversion of resources from another aspect of the business
- a material impact on the accounts
- been considered as significant for this purpose by the audit committee or equivalent
- attracted significant public interest or had seriously damaged the reputation of the Council
- resulted in formal action being taken by the Section 151 Officer/Monitoring Officer
- received significant adverse commentary in external inspection reports and which the Council has not been able to address in a timely manner.

2.2 The Statement describes the Council's key governance arrangements including:

- the Constitution
- strategic and decision making governance
- operational governance
- assurance mechanisms in place to ensure governance arrangements are functioning appropriately

2.3 As with previous years, the review process examined a wide range of internal control and governance processes. It included:

- meeting with Senior Management and other key officers within the Council, where appropriate
- obtaining written assurances with respect to specific governance areas
- obtaining and reviewing all External Audit and Inspection reports, Internal Audit reports and management monitoring reports
- a review of all corporate risk register items
- the scrutiny and evaluation of the information obtained
- determining significant control issues within the definition agreed for disclosure
- consultation with the SLT, Audit Committee, Deputy and Elected Mayor .

2.4 In addition to enabling the drafting of the AGS, this process has provided an opportunity for the review and evaluation of control issues throughout the Council. Where appropriate, the issues identified in the AGS will be included in the Corporate Risk Register (CRR), and progress on the actions to address the issues will be monitored and reported to SLT and Cabinet accordingly.

2.5 In summary the matters arising in the Statement and appended Action Plan are as follows:

Issues which arose in previous years which have now been sufficiently resolved to no longer be considered AGS items:

- MetroBus
- Change Programme
- Scrutiny Function
- Performance Management

- Schools Governance (Item 5)

Issues identified in previous years which although having made good progress during the year, remain an AGS item until full resolution has been achieved and/or the impact/benefits are fully realised:

- Item 4: Quality of Service/Complaints System

Issues identified in previous years which have an element of remedial action in place, but progress is not yet sufficient to reduce the level of risk:

- Item 2: Partnership Governance
- Item 3: Commercial Contract Management/Monitoring
- Item 6: Organisational Knowledge/Capacity
- Item 7: Arm's Length Trading

Issues identified in previous years which have an element of remedial action in place but the governance risk is increasing:

- Item 1: Financial Governance

New issues arising in 2015/16:

- Item 8: Delivering Democracy
- Item 9: Devolution – Impact on Council's Governance Framework

2.7 The Annual Governance Statement is being presented earlier this year in line with the Council's proposal to close the annual accounts and report early in 2016/17, this is in preparation for the following year when the reporting date for the annual accounts and the accompanying AGS is set at July.

2.8 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society Of Local Authority Chief Executives (SOLACE) have consulted on a revised framework for Delivering Good Governance in Local Government, the framework is due to be released in April 2016. The revised framework will be used to inform the redesign of the Bristol Code of Corporate Governance and where appropriate the Annual Governance Statement.

### **Other Options Considered**

None necessary

### **Risk Assessment**

The need to maintain a robust Risk, Governance and Control environment is pivotal to the effective operations of the Council's functions, a statutory requirement of the Accounts and Audit Regulations 2015 and an implied requirement of the External Auditor.

Failure to maintain and where required improve this environment will not only impact on the proper practices of the Council, but will also be in breach of the Accounts and Audit Regulations 2015 and may attract an adverse opinion from

the External Auditor.

Disclosures of significant control weaknesses in a public statement could result in adverse press coverage. Hence the wording of the disclosures has been discussed with the SLT to minimise this risk. The document has also been discussed with Corporate Communications prior to publication.

### **Equalities Impact Assessment**

None necessary for this report

### **Environmental Impact Assessment**

None necessary for this report

### **Legal and Resource Implications**

**Legal** - none sought.

**Resources** - none arising from this report, however resource implications may arise if the Council fails to maintain a robust control, risk and governance environment.

### **Appendices**

Appendix A - Draft Annual Governance Statement and Action Plan 2015/16

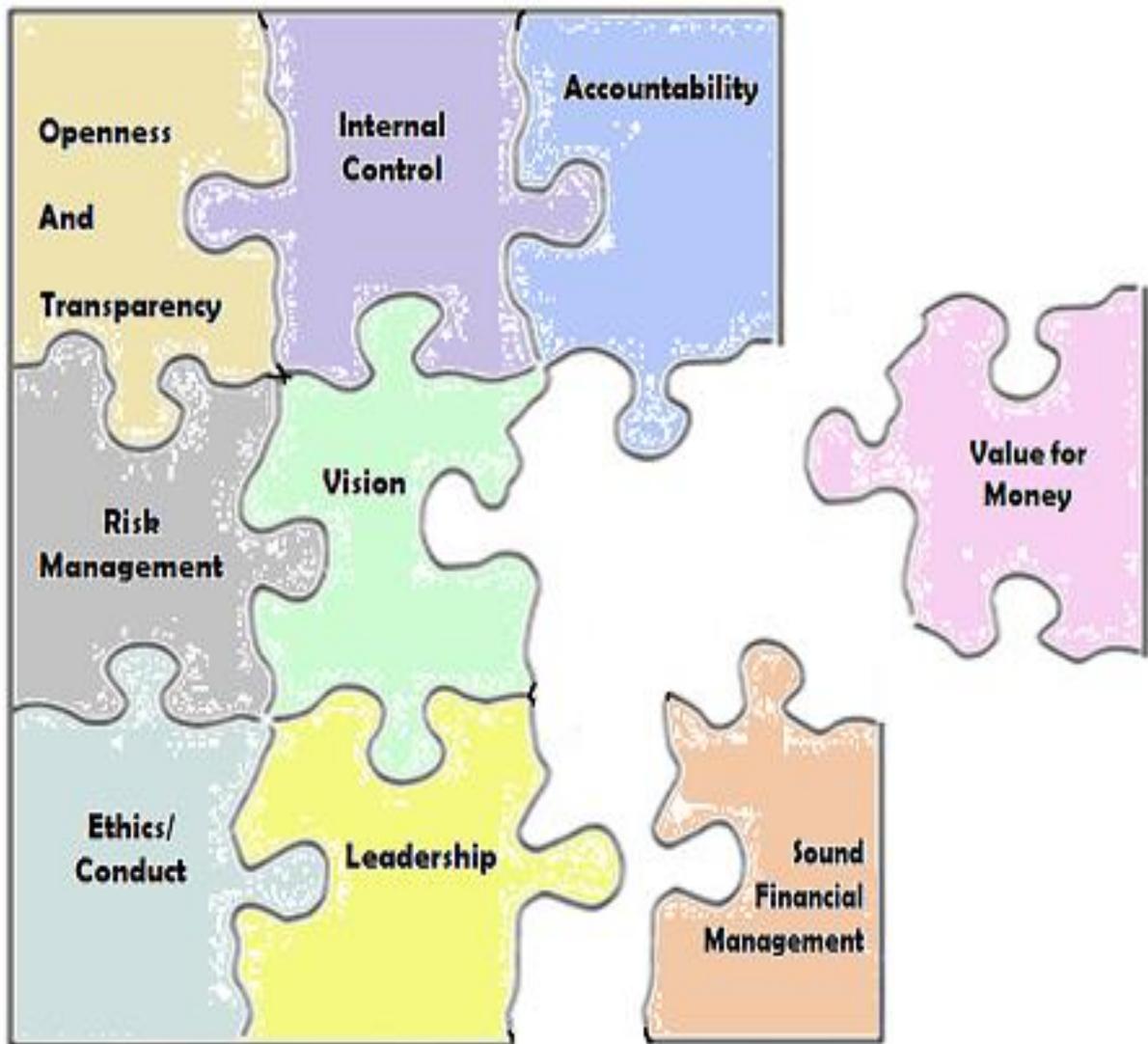
### **LOCAL GOVERNMENT ACCESS TO INFORMATION**

Background Papers  
Audit Committee Terms of Reference  
Risk Management Policy Statement  
CIPFA guidance on the requirements re the SIC.  
CIPFA/SOLACE Guidance on the Annual Governance Statement



# ANNUAL GOVERNANCE STATEMENT

2015-16



**FOREWARD:**

*Head of Paid Service: To be included in final version*

DRAFT

## 1 Scope of Responsibility

- 1.1 Bristol City Council (the Council) has a duty under the Local Government Act 2000 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. Additionally, the Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and is used economically, efficiently and effectively.
- 1.2 In discharging these overall responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for risk management and internal control systems.
- 1.3 This Statement explains how the Council endeavours to deliver good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015, which require the Council to publish an Annual Governance Statement (AGS) in accordance with proper practice in relation to internal control. The Appendix to the Statement sets out an action plan for further enhancements to governance.
- 1.4 This Statement should be read in conjunction with the Council's Code of Corporate Governance ([the Code](#)), which was approved and adopted by the Council in January 2009 and is revised and approved annually by the Audit Committee.
- 1.5 The Code provides in depth details of the framework the Council has in place to meet the six core principles of effective governance, as prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society Of Local Authority Chief Executives (SOLACE) guidance 'Delivering Good Governance in Local Government'. A copy of the Code is available via the above link or on the Council's website.

## 2 The Council's Governance Framework

- 2.1 The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and by which it accounts to, engages with and leads the community. It includes arrangements to monitor the achievement of the Council's strategic objectives/ Mayor's Priorities and to consider whether this has led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness.
- 2.3 The system of internal control encompasses the policies, processes, tasks, behaviours and other aspects of the authority that, taken together facilitate its effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieving the Council's aims and objectives.

### 3 The Constitution

- 3.1 The Council has a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable. Some of these processes are required by law, while others have been decided by the Council/Mayor. The Constitution is available to the public on the Council's website.
- 3.2 The Constitution is amended annually to address changes in legislation and requirements since the last review and to clarify the roles and responsibilities of the Full Council, the elected Mayor, his chosen Cabinet and Council staff. It provides information on how Council decisions are made and by whom.

### 4 Strategic and Decision Making Governance

The following details, the strategic and decision making governance arrangements in place within the Council, many of which are specifically required by the Constitution:

- 4.1 The Council approved the 2015/16 Budget and the 2015/16 to 2017/18 Medium Term Financial Strategy in February 2015 as the three year financial framework which was set around the achievement of the Mayor's vision for the City of Bristol whilst at the same time ensuring the Council's resilience from the impact of the required spending cuts.

A further Budget consultation took place in the six weeks from 23 November 2015 to consider any changes to the 2016/17 proposed budget, the third and final year of the three year budget framework. The Council approved the 2016/17 budget in February 2016. Indicative funding and spending plans for the period to 2019/20 were also considered.

In 2015/16 the Mayor's Vision/aims for the City of Bristol continued as follows:

- Healthy and Caring Bristol
- Keeping Bristol Working & Learning
- Keeping Bristol Moving
- Empowered City
- Building Successful Places
- Global Green Capital
- Vibrant Bristol
- Active Citizens

- 4.2 Achievement of the Mayor's Vision is monitored through a series of performance indicators which have been mapped to each of the 8 themes and are reported quarterly to senior management and periodically to members through the Scrutiny committees.
- 4.3 The Cabinet (or Executive) is made up of the Mayor and Executive Members, known as Assistant Mayors. The makeup of the Cabinet is decided by the Mayor. The current Mayor's policy has been to invite councillors from across parties who are represented on the Council into his Cabinet. The current Cabinet has three Assistant Mayors, a Deputy Mayor and the Mayor.

- 4.4 The current Mayor takes all key decisions in consultation with Cabinet on the basis of reports from officers and/or where appropriate in consultation with one of the Council's strategic Boards namely the Bristol Property Board, the Health & Wellbeing Board or Learning City Partnership. The Mayor's Forward Plan of key decisions to be taken over the next four months is published on the Council's website.
- 4.5 Cabinet meetings where key decisions are made by the Mayor are open to the public and available via web cast through the Council's website. All reports are considered for legal, financial, ecology, equality and risk issues before submission to Members.
- 4.6 The Council appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities. All committees have clear terms of reference and work programmes which set out their roles and responsibilities. These committees include:
- Overview and Scrutiny Management Board, together with four Scrutiny Commissions each of which oversee the four directorates within the Council;
  - Audit Committee, to advise on the effectiveness of governance, management and internal control arrangements;
  - Regulatory Committees such as:
    - Planning
    - Public Safety & Protection
    - Public Rights of Way and Greens;
  - Statutory Committees – Licensing;
  - Other Committees such as:
    - Human Resources
    - Police & Crime Panel
    - Selection Committee
    - Appeals Committee
    - Neighbourhood Partnerships
    - West of England Joint Boards.
- 4.7 There is a Strategic Leadership Team (SLT) made up of the City Director and Strategic Directors that meets each week to discuss matters which are of strategic and operational importance to the Council. It is supported by an Extended Leadership Team which includes Service Directors.
- 4.8 An Executive Board consisting of SLT, the Mayor and Cabinet Members meets regularly to discuss strategic issues, performance reports and matters arising, thereby ensuring good communication and cohesive vision.
- 4.9 A comprehensive decision pathway is in place within the Council in order to enhance transparent and efficient decision making throughout the Council's operations.

- 4.10 In 2015/16 the Council entered into discussions with 3 neighbouring councils and the West of England Local Enterprise Partnership (LEP) to reach agreement seeking to devolve significant powers, funding and responsibilities to the region. The deal would see the creation of an overarching combined authority chaired by a directly elected mayor with control of a single investment fund.
- 4.11 This agreement will go to all four councils and the LEP in June 2016, for consideration, who will then make a decision on how to proceed. The move would represent a major change, bringing decisions on transport, investment, funding, skills training, business support, housing and strategic planning to the West of England and away from central government. There are potential implications for the Council's governance framework. *(Please see item 9 in Appendix A)*
- 4.12 The four year cycle of elections for Mayor, all Councillors and the Police and Crime Commissioner falls due in May 2016. The Council will also administer the EU referendum in June 2016. *(Please see item 8 in Appendix A).*

## **5 Operational Governance**

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

- 5.1 The Council has a Mayor's scheme of delegation in place within the Constitution which is available on the Council's web site.
- 5.2 To support the achievement of the Mayor's Vision and aims for Bristol, the Council engages with the local community through 14 neighbourhood partnerships which provide an opportunity for local communities to have a greater say in the way services and local issues are managed by the Council and its partner agencies.
- 5.3 The Council is also involved in a number of other partnerships many of which are strategic partnerships which are governed by its Constitution, however for partnerships which are not strategic there remains a need for governance and control in order to ensure the Council is achieving synergy between its partners in fulfilling the Mayor's vision for Bristol. Work on mapping and reviewing these partnerships to ensure resources are properly focussed and appropriate governance arrangements are in place continued in 2015/16. *(Please see item 2 in Appendix A)*
- 5.4 The Council has diversified into wholly owned trading companies in Energy and Waste. The aim of these companies is to provide cost effective and efficient services to the citizens of Bristol, whilst at the same time making good use of the opportunities available to enterprises of this kind to further benefit the city of Bristol and its inhabitants.
- 5.5 The governance arrangements within these companies and with regard to their relationship to the Council have been carefully considered. A holding company has been established to oversee the operation of the trading companies and a code of practice is in place to formalise the governance framework within which the companies will operate. *(Please see item 7 in Appendix A).*

- 5.6 The Council's Change Programme, which was instigated to ensure the resilience of Council services whilst absorbing the impact of the imposed austerity measures, has continued throughout the year. An internal audit review of the financial realisation and benefit programme found acceptable levels of control with additional processes recently being introduced to ensure savings were identified and achieved.
- 5.7 The Council utilises, manages and stores large amounts of data on various different databases and servers. The Council is heavily dependent on managing and maintaining the control environment within its computerised systems, especially with the aim of delivering many of our services digitally. The implementation of a new finance system in 2014/15 had a positive impact on the resolution of many of the issues which were identified previously with regard to financial governance and control. However, there has been slippage in 2015/16 in implementing further improvements to the control environment such as the introduction of a Human Resources/Payroll module to the system. *(Please see item 1 in Appendix A)*
- 5.8 Policies and procedures are in place to ensure that expenditure is incurred lawfully and that best value is obtained. Pay and non-pay panels are in place to ensure that expenditure incurred by the Council is necessary and provides value for money. A new e-tendering system was introduced in 2015/16 to further develop supplier relationships. Policies, strategies and procedures are aligned to the Corporate Plan, and where appropriate to specific directorates where they have responsibility for those documents. Financial Regulations for the Council's maintained schools have been updated; however the update of Financial Regulations for the Council remains in progress. *(Please see items 1, 3 & 5 in Appendix A).*
- 5.9 The Council has processes and policies in place to ensure that all information collected, processed and used by the Council is held safely and securely. The Information Security Policy will be reviewed later in 2016 to include the HMG Cloud Security Principles. Breaches in information security are monitored by the dedicated Senior Information Risk Owner (SIRO) who reports quarterly to SLT. The Council has been subject to significant and sustained 'phishing' attacks but has responded robustly.
- 5.10 Members' and officers' behaviour is governed by Codes of Conduct which include the requirement for a Declaration of Interest to be completed by all Members annually, by all new staff, senior staff, those working in sensitive areas and biennially by other staff.
- 5.11 The Council aspires to a free and open culture and is committed to high standards of honesty. The Council will not tolerate any form of malpractice and recognises that employees have an important part to play in reporting any concerns. The Council has a Whistleblowing Policy which encourages and enables employees to raise concerns internally within the Council, rather than overlooking the problem or raising the concern outside.
- 5.12 The Council adopts a zero tolerance approach to fraud and corruption within its services. The following policies and procedures are in place to ensure all appropriate measures are taken to prevent, detect and investigate suspected fraud/irregularities.
- Anti-Fraud, Corruption and Bribery Strategy/Policy (updated in 2015/16);

- Whistle Blowing policy;
- Anti-Money Laundering policy;
- Gifts and Hospitality policy and register
- Pecuniary Interest policy and register;
- Code of Conduct for Members and Employees including ethical behaviour;
- Information Security policy.

Additionally, the Council has a dedicated Corporate Investigations Team within its internal audit function.

Having implemented all of the above the Council is satisfied that it has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

- 5.13 The Council implemented a redesigned online Performance Management and Development Scheme in 2015/16 which manages performance and development needs for each member of staff. The new process ensures that individual performance measures and targets are clearly aligned to roles and the Council's priorities. (*Please see item 6 in Appendix A*)
- 5.14 The Council recognises the value of well trained and competent people in effective service delivery, and as such aims to ensure that Members and officers within the Council have the skills, knowledge and capacity they need to discharge their duties and responsibilities.
- 5.15 The Monitoring Officer has responsibility for maintaining the Constitution, ensuring lawfulness and fairness of decision making, providing legal advice and conducting investigations. The Monitoring Officer leads the legal department who ensure legal compliance by the Council in its activities; any concerns are raised with senior management for resolution.
- 5.16 In compliance with the 'Delivering Good Governance in Local Government: Framework', the Council's financial management arrangements generally conform with the requirements of the CIPFA Statement of the role of the Chief Financial Officer and Head of Internal Audit in Local Government (2010). More detailed compliance information is provided below:
- The Service Director: Finance and the Head of Legal Services although not members of SLT have an open invitation to attend when necessary and receive all papers. Both have a direct reporting line to the City Director in relation to governance issues. Both also attend Cabinet and Cabinet briefings;
  - The Council's six statutory officers meet regularly to discuss matters arising that are relevant to their statutory role. Meeting attendees are:

- Head of Paid Service
  - S151 Officer
  - Monitoring Officer
  - Director of Public Health
  - Director of Children's and Adult Services
  - The Senior Information Risk Owner (SIRO);
- The Service Director: Finance is the Council's Chief Financial Officer and s151 Officer. The s151 Officer has been an interim appointment since January 2016. The last post-holder left in December 2015. The incumbents have been professionally qualified accountants acting as the Council's lead officer for the Audit Committee and attending all meetings as well as reporting regularly to the appropriate Scrutiny Committee. Although the Service Director Finance is not a Strategic Director the post-holder is the Council's financial lead and as such is fully involved in all material business decisions and planning processes, and contributes to all key decision reports to SLT and Cabinet
  - The Chief Internal Auditors (job share) are senior managers within the Council with regular engagement with the Audit Committee. They have an operational reporting line to the Service Director: Finance and a functional reporting line to the Audit Committee. They are also able to report to SLT, the City Director, the Mayor and to other Directors as required. The Chief Internal Auditor has a regular slot at the Statutory Officer meetings to raise and discuss matters of control, risk and governance as appropriate;
  - The Chief Internal Auditors are both qualified accountants with considerable local authority internal audit experience and they provide an Internal Audit Service which is professional, proficient and adequately resourced (as concluded by the Audit Committee in their Annual Report for 2015/16). The service capacity and resources are continually under review to ensure that they are fit for purpose.

## 6 Assurance Mechanisms

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

- 6.1 The decision-making process is perused by a scrutiny function which holds the Mayor to account and undertakes some pre-decision and policy development work. The Overview and Scrutiny Management Board oversees an annual work programme for four Scrutiny Commissions which mirror the Council's four business directorates. The Business Change Scrutiny Commission is responsible for maintaining an overview of service and financial performance, efficiency and effectiveness.
- 6.2 The Council has an Audit Committee comprising elected and Independent Members that reports directly to full Council in line with best practice. The Audit Committee meet throughout the year to provide independent assurance to the Council in relation to the effectiveness of the risk management framework, the internal control environment, and any issues relating to the conduct of Members. The Committee met seven times in 2015/16, receiving regular reports on risk management, treasury management, internal control and governance matters.
- 6.3 The Council has a complaints procedure and where appropriate obtains feedback from service users to ensure an acceptable quality of service is provided. A new online customer relation system was launched in 2015/16. Although the number of complaints received has increased there has been a significant improvement in the time taken to respond. *(Please see item 4 in Appendix A).*
- 6.4 SLT is responsible for considering overall financial and performance management and receives comprehensive reports on a quarterly basis. They are also responsible for initiating corrective action in relation to risk and internal control issues.
- 6.5 The Corporate Risk Register (CRR) has been extensively reviewed over the past year by SLT and ELT in order to ensure it is focussed on the highest risks to the Council upon which it can have a positive impact. Additionally, a watching brief is maintained on other high risk areas which cannot be fully mitigated by the Council alone. Directorate risk registers have been in place and operated utilising the same approach. The risk management policy was reviewed and updated in 2015/16 and further developments are planned in 2016/17. The CRR will continue to be reviewed by the Audit Committee on a six monthly basis, with the directorate risk registers to be considered/challenged quarterly by the appropriate Scrutiny Committee and annually by the Audit Committee.
- 6.6 An Internal Audit Service is in place which provides an independent and objective assurance service to senior management, the Council as a whole and specifically the Audit Committee. They complete a programme of reviews throughout the year to provide an opinion on the internal control, risk management and governance arrangements. In addition, the Service undertakes fraud/irregularity investigation and proactive fraud detection work which includes reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit are reported to senior management, the appropriate Cabinet Member and the Audit Committee.

6.7 An External Audit function is in place which reports to senior management and the Audit Committee regarding Value for Money, governance issues and the final accounts including the Annual Audit Letter. A new external auditor, BDO LLP, was appointed for 2015/16.

## 7 Review of Effectiveness

7.1 Bristol City Council annually reviews the effectiveness of its governance framework, as detailed in ([the Code](#)) including the system of internal control. The review of effectiveness is informed by managers within the Council, who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors and by comments made by the external auditors and other inspection agencies.

7.2 In addition to the in-year assurance mechanisms detailed above the following year-end reviews of the governance arrangements and the control environment were undertaken:

- Assurance was obtained from discussion with senior officers who had responsibility for the control framework in place during the year, and any areas where control weaknesses had resulted in significant issues arising for the Directorate are reflected in this Statement and Appendix A together with their comments. The final Statement itself was considered by SLT on ? and the Audit Committee on ? and is supported by them as an accurate reflection of the governance arrangements in place for the year;
- Obtaining assurances from senior and statutory officers, including the s151 Officer and the Monitoring Officer that internal control and corporate governance arrangements in key areas were in place throughout the year;
- Reviewing external inspection reports received by the Council during the year, the opinion of the Chief Internal Auditors in their annual report to management and the audit committee and an evaluation of management information in key areas to identify any indications that the control environment may not be sound;
- Consulting the Audit Committee regarding any potential issues they felt could indicate a problem with the control environment as a result of their work during the year.

## 8 Significant Governance Issues

- 8.1 The review process has highlighted a number of significant issues from 2014/15 which have now been resolved, together with a number of issues which whilst good progress has been made further work is required to achieve full resolution. There is one issue, Financial Governance, where concern is increasing (*please see item 1 in Appendix A*). Additionally a small number of in-year issues have been identified, but similarly action has been taken during the year and whilst full resolution has not yet been achieved the direction of travel is positive.
- 8.2 The Action Plan at [Appendix A](#) to this statement provides details of each issue and the actions, proposed, in progress and/or concluded at the time of writing this statement.

## 9 Certification

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

Elected Mayor: George Ferguson \_\_\_\_\_ Date:

Head of Paid Service: Nicola Yates \_\_\_\_\_ Date:

s151 Officer: Julie Oldale \_\_\_\_\_ Date:

ANNUAL GOVERNANCE STATEMENT (AGS) ACTION PLAN YEAR ENDED 2015/16

Appendix A

Each issue has been RAG rated both from an inherent risk and a residual risk prospective; CRR is the cross reference to the Corporate Risk Register, the key to the rating is as follows:

Red - Significant issue immediate action required to resolve  
 Amber - Remedial action has progressed well, but has not yet fully resolved the issue or the impact/benefits of actions have not yet been fully realised.  
 Green - Issue resolved, no longer considered a significant governance item  
 Key: Risk is increased Risk remains the same Risk is decreased

Item No	Governance issue, Responsible Officer (RO) and Status	Inherited Risk	Current Risk	Issues/actions brought forward to 2015/16	Action update at year end	New issues/actions in 2015/16	Action update at year end	Actions for 2016/17	Target Dates	Responsible Officer
<b>1</b>	<b>Financial Governance</b>									
(CRR 6)	While good progress towards improvement in internal control of financial systems was achieved in 2014/15, the new financial system was still not fully operating to the required level in order to fully achieve expected benefits and controls.  RO: Service Director: Finance (s151 Officer)  Issue increasing in severity due to absence of key staff			Focus on key controls and reconciliations to enhance control of debt, cash and access.  Restructuring of budget holders and cost centres to reflect new structure. Budget management training made available to all budget holders.  In year changes to the budget or financial plan centrally controlled and subject to Service Director: Finance approval Financial Regulations and Scheme of Delegations to be revised to reflect the new directorate management structure. Implement upgrade of main financial system to incorporate HR and Payroll functions.	Completed May 2015  Completed May 2015 Completed May 2015  Ongoing  Outstanding  Outstanding		Outstanding  Outstanding  The Financial Service Improvement Plan has been absorbed into process/operational review work currently in progress.  Recruitment processes underway	Update remains outstanding, now likely to be completed as part of May 2016 Constitution review. Parallel running to be implemented for April payroll. Full implementation to follow.  Complete process/operational review work.  Complete recruitment process to ensure finance function adequately staffed and a permanent s151 Officer appointed..	30th June 2016  TBC  Ongoing  Jul-16	Service Director: Finance  Service Director: Finance/ Service Director: HR Service Director: Finance  Service Director: Finance/ Strategic Director: Business Change
<b>2</b>	<b>Partnership Governance</b>									
(CRR 3)	Partnership governance outside of strategic partnerships may not be robust which may result in the Council not achieving maximum benefits through partnership working.  RO: Service Director: Policy, Strategy and Communications			Further develop an effective accountability framework for wider partnership working to ensure it is clear what each partner is expected to contribute.  Identify strategic and other partners and implement an accountability framework. Gain an understanding of differing priorities of each partner.  Develop a stronger evidence base which demonstrates the benefits of partnership working.  Members and senior management of the West of England Leaders Board to meet in informal settings to debate opportunities for partnership working and provide leadership which promotes a culture change towards delivering services jointly wherever possible and appropriate.	Ongoing  Mapping of all of the local partnerships and partnership boards which the Council is a member of is underway. It is complete at the top level but not at the lower levels and the hierarchy between them has not been mapped out.  Ongoing  Ongoing	Agree a shared suite of measurements with partners that capture both financial value and social value.  Establish a written agreement with local health partners on actions that will be taken if evaluation of joint projects shows a need for a shift in funding across the health and social care 'system'  Develop a process for staff to follow before the Council can be committed to a new partnership is being drawn up. Require all ongoing partnerships in future to develop an annual strategic action plan that demonstrates the links with the Council's Corporate Plan and show achievement against the priorities in the same. Develop a Partnership Toolkit to be used in conjunction with a policy on Social Value."	Ongoing  TBC  TBC  TBC  TBC	The work has highlighted some gaps in governance and reporting arrangements. Once there is a complete picture then the partnerships will be reviewed to make sure they add value and have appropriate governance.	TBC  TBC  TBC  TBC	Service Director: Policy, Strategy and Communications  Strategic Director: People (for Better Care Bristol)  Service Director: Policy, Strategy and Communications  Service Director: Policy, Strategy and Communications  Service Director: Policy, Strategy and Communications
<b>3</b>	<b>Commercial Contract Management</b>									
(CRR 8)	Poor contract management and monitoring.  RO: Service Manager: Procurement (vacant)			Overall review of commercial contract management to strengthen control drawing upon the performance data/reports generated by the operational contract management teams to identify best practice, lessons learned and key risks. This data will be used to develop strategic supplier relationship with BCC key/high risk suppliers.  Work in progress by Strategic Commissioning & Procurement Services to develop a model for strategic relationship contract management.	Ongoing  Ongoing	A key component of the user requirements for the new e-tendering system for the Council will be the inclusion of a contract management module which will allow: • The Capture of Key Performance Indicators for Suppliers • Configurable auto alerts for key event dates and reminders • Savings and rebate visibility • Production of reports • Sharing of information on suppliers performance across the Council.	The new e-tendering system was implemented January 2016. A consolidated list of forward major projects was published in March 2016.  Service Manager: Procurement post vacant from March 2016, staff covering post.	Confirm new etendering system is embedded and used to actively monitor and manage contracts across the Council.  Service Manager: Procurement post to be filled.	TBC  TBC	Head of Procurement - when appointed  Strategic Director: Business Change

Item No	Governance issue, Responsible Officer (RO) and Status	Inherited Risk	Current Risk	Issues/actions brought forward to 2015/16	Action update at year end	New issues/actions in 2015/16	Action update at year end	Actions for 2016/17	Target Dates	Responsible Officer
4	<b>Quality of Service /Complaints System</b> Inefficient Complaints system: - Lack of reliable, readily available information of complaints/complaints received. Failure to learn from mistakes/good practice. Lost opportunity for improvement. Missed opportunity for greater transparency.  RO: Customer Services: Service Manager  Risk decreasing as new systems appear to be improving timeliness.			As part of the change programme a project was undertaken to review and redesign the corporate non statutory complaints process. This included a change from a 3 stage to a 2 stage process to streamline and simplify the process based on best practice and the national standard. The new Salesforce Customer Relationship system was intended to significantly automate and improve reporting.	Complete - Internal Audit found that Contract Monitoring was satisfactory for the sample that was examined.	In May 2015 the council was put under 6 month review by the ICO because of concerns over performance on FOI. This was lifted in December 2015 as performance improved.	Good progress in that FOI and non-statutory complaints performance reports that 80% now meet timescale for response (previously 48% and 50%). However overall number of complaints increasing and this may continue in run up to election. Progress was reported to the Audit Committee in January 2016.	The Complaints Service has applied for an assessment against British Standard 10002 Complaints Management and completed the first 2 stages. As part of the assessment an internal audit of the complaints processes is required. This is included in the draft 2016/17 internal audit plan.	31 September 2016	Chief Internal Auditor/ Customer Services: Service Manager
5	<b>Schools Corporate Governance</b> A number of issues arose with regard to financial governance within schools, these included: • Failure to maintain an up-to-date Financial Regulations for Schools • Lack of clarity with regard to the roles and responsibilities of the Trading with Schools function. • Issues identified by Internal Audit with regard to governance, both finance and operational, within schools.  RO: Service Director: Education/ Service Director: Finance  Risk decreasing as schools appear more content with TWS services and standards of governance appear to be rising.			Appointment of a permanent Trading With Schools (TWS) Service Manager. Roles and Responsibilities to be refreshed and rolled out.  TWS to provide greater support and guidance to schools experiencing difficulties.  Financial regulations for Schools to be reviewed.  Internal Audit to review governance arrangements in TWS and in schools.	Complete  Ongoing  Outstanding  Internal Audit concluded a 'satisfactory' level of assurance for the TWS function itself, however the lack of clarity between the role of TWS and other functions remains. The number of schools which failed to demonstrate a satisfactory level of governance was of concern.	Financial Regulations review to be completed and rolled out to schools.  Service Level Agreement (SLA) between council and finance in place but not signed by both parties. Internal audit visits to schools ongoing and outcomes improving.	Financial regulations approved and made available to schools on the website in November 2015.  SLA unsigned but operating in practice. Internal Audit visits to schools ongoing.	SLA to be formalised. Internal Audit visits to schools ongoing.	Ongoing	RO: Service Director: Education/ Service Director: Finance. Chief Internal Auditor
6 (CRR 2)	<b>Organisational Knowledge/Capacity</b> Loss of experience skills and resource leading to significant impact on governance framework.  RO: Service Director: HR			Full implementation of Applied Programme, supported by other work across the council to address the impact of restructuring and ensure that the workforce has the right skills for the future.  Roll out and utilisation of redesigned performance management framework.	The Applied Programme has been rolled out to four cohorts of service managers with a range of service improvements currently being implemented. However take up of training opportunities has been variable.  The redesigned individual performance management framework. was rolled out in July 2015. Support was provided managers to use the system to record performance.	People Panel has operated to ensure the organisation structure remains affordable and that cost is only added back where service demand requires it.  A new Workforce Planning approach enabled the analysis of the impact on recruitment and retention of the upturn in the local economy at the same time as further austerity measures are implemented across Local Government to be assessed. This informed a review of pay, reward and benefits particularly for senior 'hard-to-fill' roles which was reflected in the 2016/17 Pay Policy.	A number of posts have been hard to fill and some senior positions and statutory officer posts remain interim.  The 2016/17 Pay Policy Statement was approved by Council in March 2016.	Applied programme roll out to continue with increased take up of training opportunities. All service managers sent invites for dates.  Complete 2015/16 performance management and review. New objectives to be set for 2016/17 in April 2016 and applied for 2016/17.  People Panel to continue to operate but also targeted action at 'hard to fill' posts  Implement 2016/17 Pay Policy with emphasis on recruiting to 'hard to fill' roles, including statutory officers..	31 July 2016  Ongoing  Ongoing  Ongoing	SLT/ Service Director: HR  SLT/ Service Director: HR  SLT/ Service Director: HR  SLT/ Service Director: HR

Item No	Governance issue, Responsible Officer (RO) and Status	Inherited Risk	Current Risk	Issues/actions brought forward to 2015/16	Action update at year end	New issues/actions in 2015/16	Action update at year end	Actions for 2016/17	Target Dates	Responsible Officer
7	<b>Traded Companies</b>									
CCR11	Conflict of interest and impact on existing governance framework due to Council involvement in wholly owned Limited Companies.  RO: Strategic Director: Business Change		↔	N/A - New matter arising for 2015/16		Bristol Waste and Bristol Energy companies established as wholly owned delivery arm companies. Bristol Holding Ltd established as a holding company with Waste and energy within it.	Code of Practice approved by Cabinet December 2015 which sets out governance arrangements for operation and establishment of future companies. Updated business cases for Energy and Waste approved by Cabinet December 2015.  Code of Practice and report to Audit Committee in January 2016. Report refers to holding company establishing its own audit and risk committee and appointing its own auditors. External auditors appointed.  Client function and shareholder function established to exercise oversight. Shareholder group has met on several occasions. First performance reporting pack presented to Holding Company Board in March 2016.  Terms and conditions of parental guarantees and credit support from Council to companies to be agreed following assessment of commerciality and meeting state aid requirements.	Holding company audit and risk committee and internal audit arrangements to be confirmed together with relationship with council audit committee.  Reporting template to be further developed. Reports to be made to SLT monthly, Shareholder Group quarterly cycle and performance pack to be established, including quarterly reporting to council audit committee  To be finalised and monitored at weekly trading risk meetings.  Council internal audit to undertake review of governance and accountability arrangements.	TBC  Monthly/quarterly  13 April 2016 and ongoing  31 September 2016	MD of Holding Company  MD of Holding Company/Service Director Strategic Commissioning  Service Director: Strategic Commissioning/ Service Director: Finance  Chief Internal Auditor
8	<b>Delivering Democracy</b>									
(CRR10)	Four year cycle of elections for Mayor, all Councillors and Police and Crime Commissioner due May 2016. EU referendum in June 2016. Council needs to deliver the efficient administration of the elections and be prepared for change in administration.  RO: City Director			N/A New matter arising for 2016/17			Venue for election count and administrative arrangements in place  Structure and size of election team reviewed and appointments made. Pressure on team increased by timing of EU referendum. Budget for 2016-17 still to be confirmed as part of wider consideration of ongoing cost of democratic delivery.  Guidance and briefing arrangements for candidates and Council staff in place.  Induction arrangements for new administration reviewed and updated.  Weekly meetings of election board to monitor progress.	Pressure on team to be monitored and where necessary action taken. Budget for 2016/17 to be confirmed.	Ongoing to September 2016  Ongoing to September 2016	Service Director: Legal and Democratic Services/ Service Director: Finance  City Director
9	<b>Devolution</b>									
(CRR9)	Impact on Council's Governance Framework:  There is a major opportunity to work with neighbouring councils and the West of England Local Enterprise Partnership (LEP) to devolve significant powers, funding and responsibilities to the region. Determining and implementing these changes will potentially have a significant effect on the council's governance.  The council has reached agreement with 3 neighbouring councils and the West of England Local Enterprise Partnership (LEP) seeking to devolve significant powers, funding and responsibilities to the region. This agreement will go to all four councils and the LEP in June 2016-17 for consideration, who will then make a decision on how to proceed.  The move would represent a major change, bringing decisions on transport, investment, funding, skills training, business support, housing and strategic planning to the West of England and away from central government. An overarching combined authority would be created chaired by a directly elected mayor with control of a single investment fund.			N/A New matter arising for 2016/17				Appropriate governance, reporting and sign off arrangements in place, actively managing project risks  Following agreement between the Mayor of Bristol, Leaders of the three neighbouring authorities and HM Treasury to take a deal to each Council for consideration in June 2016 a joint plan is being developed with support from the Department for Communities and Local Government  Active stakeholder management to continue at local and national level. A clear stakeholder management strategy in place from April 2016.  Weekly briefings to SLT, weekly CEO meetings with Partnership counterparts and regular briefings to the LEP Executive.  Regular reports presented to Strategic Leaders Board and West of England Joint Scrutiny.	Ongoing  Ongoing to June 2016  April 2016 and ongoing	City Director/Service Director: Policy, Strategy and Communications  City Director/Service Director: Policy, Strategy and Communications  City Director/Service Director: Policy, Strategy and Communications