

# Audit Committee

## Supplementary Information



**Date:** Thursday, 30 July 2020

**Time:** 2.00 pm

**Venue:** **Via Zoom**

### **Distribution:**

**Councillors:** Nicola Bowden-Jones, Chris Jackson, Olly Mead, Liz Radford, Clive Stevens, Tim Kent, Adebola Adebayo, Simon Cookson and Mark Brain

**Copies to:** Simba Muzarurwi (Chief Internal Auditor), Mike Jackson (Chief Executive), Denise Murray (Director - Finance & Section 151 Officer), Nancy Rollason (Service Manager Legal), Alison Mullis, Tony Whitlock, Lucy Fleming (Head of Democratic Engagement) and Michael Pilcher

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**Date:** Wednesday, 22 July 2020



# Supplementary Agenda

**13. Draft Annual Governance Statement 2019/20**

**(Pages 3 - 22)**



# Audit Committee

30 July 2020



<b>Report of:</b>	Chief Executive
<b>Title:</b>	Draft Annual Governance Statement 2019/20
<b>Ward:</b>	Citywide
<b>Officers Presenting Report:</b>	Denise Murray, Director of Finance & S151 Officer Simba Muzarurwi – Chief Internal Auditor
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## Recommendation

The Audit Committee consider and agree the draft Annual Governance Statement as a fair reflection of the internal control and governance environment during 2019/20 and to date, prior to it being finalised and signed by the Mayor, the Chief Executive, Section 151 Officer and Monitoring Officer.

## 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 is attached to this report.

## Significant Matters Arising 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 which details the most significant control and governance issues identified during 2019/20.

## 1. 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.

## 2. Consultation

Internal – Corporate Leadership Board including S151 Officer and other relevant officers (Monitoring Officer and Chief Internal Auditor)

External – None necessary

## 3. Context

- 3.1 In accordance with 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.
- 3.2 The AGS must be a fair reflection of the internal control and governance environment during 2019/20 up to the date of being signed by the Chief Executive and Mayor alongside the 2019/20 Annual Statement of Accounts. The External Auditors will review the draft AGS in detail as part of their audit of the Statement of Accounts for 2019/20. The AGS can be updated in September to reflect any governance changes that have occurred since this report.
- 3.3 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.

### The AGS

- 3.4 A coordinated approach to providing assurance for the 2019/20 Annual Governance Statement has again been utilised with senior managers from across the Council and group of companies completing assurance statements for each of their areas acknowledging responsibility for internal control and risk management. Each of these managers have certified or otherwise their satisfaction with arrangements in place during 2019/20.
- 3.5 The review process also examined a wide range of internal control and governance processes, which included:
  - engaging with Senior Management and other key officers within the Council, where appropriate;
  - obtaining and reviewing External Audit and Inspection reports, Internal Audit reports and management monitoring reports;
  - the scrutiny and evaluation of the information obtained;

- determining significant control issues within the definition agreed for disclosure; and
- consultation with the Corporate Leadership Board including S151 and Monitoring Officer.

The consideration of the draft AGS by the Audit Committee is key part of the review and approval process.

3.6 The AGS explains how well the Council has complied with its Code of Corporate Governance (Code) which is based upon the following seven core principles:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- Ensuring openness and comprehensive stakeholder engagement;
- Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- Determining the interventions necessary to optimise the achievement of the intended outcomes;
- Developing the entity’s capacity, including the capability of its leadership and individuals within it;
- Managing risks and performance through robust internal control and strong public financial management;
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

3.7 The AGS summarises the actions and improvements which have been taken to enhance governance arrangements in 2019/20 before setting out significant governance and control issues

3.8 In determining the significant governance issues to disclose, the following factors have been considered on 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.

3.9 The Draft Annual Governance Statement 2019/20 is at Appendix A.

#### **4. Proposal**

4.1 The Audit Committee to consider and agree the draft Annual Governance Statement as a fair reflection of the internal control and governance environment during 2019/20 and to date, prior to it being finalised and signed by the Mayor, the Chief Executive, Section 151 Officer and Monitoring Officer

**5. Other Options Considered**

Not Applicable

**6. 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. The document has also been discussed with Corporate Communications prior to publication.

**Public Sector Equality Duties**

Not necessary for this report

**Legal and Resource Implications**

**Legal**

Not Applicable

**Financial**

Not Applicable

**Land**

Not Applicable

**Personnel**

Not Applicable

**Appendices:**

Appendix 1 – Draft Annual Governance Statement 2019/20

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

**Background Papers:**

Audit Committee Terms of Reference

Risk Management Policy Statement

CIPFA/SOLACE Guidance on the Annual Governance Statement



# Annual Governance Statement 2019/20



## 1. Introduction

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- 1.1 Like all local authorities, Bristol City Council is responsible for ensuring that:
  - business is conducted in accordance with all relevant laws and regulations
  - public money is safeguarded and properly accounted for
  - resources are used economically, efficiently and effectively to deliver agreed priorities and benefit local people.
- 1.2 The Chartered Institute of Public Finance and Accountancy /Society of Local Authority Chief Executives (CIPFA/SoLACE) Delivering Good Governance in Local Government Framework (2016) also expects local authorities to put in place proper governance arrangements to ensure that these responsibilities are being met.
- 1.3 Bristol City Council has approved and adopted a Code of Corporate Governance (Code) which was approved by the Audit Committee in January 2018. The Code is consistent with the principles of the CIPFA/SoLACE Framework and will be subject to a detailed review in 2020/21.
- 1.4 This Annual Governance Statement (AGS) explains how well the Council has complied with the Code and provides an overview of how the Council's governance arrangements have operated during 2019/20 and up to the date it is signed. It also meets the requirements of the Accounts and Audit Regulations 2015, which require the Council to publish an AGS in accordance with proper practice in relation to internal control.
- 1.5 We also have a duty to continually review and improve the way we work. This statement captures governance improvements we have made during the year and also identifies arrangements that require improvement going forward.

## 2. Conclusions and Statement of Commitment

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- 2.1 Good governance is about ensuring that an organisation is effectively and properly run. It is the means by which the Council shows it is taking decisions for the good of the people of Bristol, in an inclusive and open way. It requires standards of behaviour that support good decision making, collective responsibility, individual integrity, openness and honesty. It is fundamental to showing that public money is well spent, as without good governance the Council will struggle to improve services and deliver its objectives.
- 2.2 The Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements including the system of internal control. From the review, self-assessments, work undertaken and on-going monitoring supported by the work of Internal Audit, to the best of our knowledge, the governance arrangements are generally working as expected. However, we do recognise that in some key areas additional focus is required to improve our approach to ensure the arrangements are fully fit for purpose. These areas are identified in section 7 of this statement together with actions we are taking to address them.
- 2.3 In addition, while it is encouraging to see the positive trajectory created by the improvement journey we started last year, we acknowledge the 'limited assurance' opinion provided by the Chief Internal Auditor in the 2019/20 Internal Audit Annual Report and recognise the improvements required in some key operational areas. We are committed to ensuring that appropriate remedial actions are taken to address the issues identified that have resulted in this opinion over the past few years. Consequently, we will undertake further detailed root cause analysis work to enable evidence based problem solving that focuses on core systems and processes. Collectively we are clear that the governance, risk and internal control improvements do not simply rest on the

individuals party to this statement but the organisation as a whole and therefore require the action plan outlined in this statement to be translated into clear, aligned, agreed actions, collectively owned by the leadership team and proactively monitored with a view to successful outcomes as opposed to merely implementation. As such we will monitor the implementation of the improvement action plans through regular updates to the Corporate Leadership Team and report to the Audit Committee.

<b>Signed:</b>  <b>Marvin Rees - Elected Mayor of Bristol</b>	<b>Signed:</b>  <b>Mike Jackson – Chief Executive</b>
<b>Signed:</b>  <b>Denise Murray – Director of Finance</b>	<b>Signed:</b>  <b>Tim O’Gara – Monitoring Officer</b>

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### 3. Governance Framework and Principles

- 3.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community.
- 3.2 The approach to governance takes account of the environment in which the Council now operates; its aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 3.3 The Council's constitution is updated throughout the year and sets out how the Council operates. It states what matters are reserved for decision by the whole Council, the responsibilities of the Cabinet and the matters reserved for collective and individual decision, and the powers delegated to panels, committees and community councils. Decision-making powers not reserved for the Mayor and / or councillors are delegated to chief officers and heads of service. The monitoring officer ensures that all decisions made are legal and support the audit, governance and standards committee in promoting high standards of conduct amongst members.
- 3.4 All Members have an important role to play in representing their constituents, as well as acting together as the Council. Officers serve the Council as a corporate body rather than any political group, combination of groups or individual member. Members and Officers should work in an atmosphere of mutual trust and respect. Members determine the Council's policies and Officers are responsible for implementing decisions taken by the Council, Mayor, Cabinet and/or the appropriate committee as well as taking decisions delegated to them under the Scheme of Delegation. Committees review and scrutinise decisions, they cannot start or stop executive action but can challenge reasonably, holding members and officers to account. In discharging these duties all parties should act in an open, honest and transparent manner. The Council must seek to ensure that the highest standards are met and that governance arrangements are not only sound but are seen to be sound.

#### Committees and Boards:

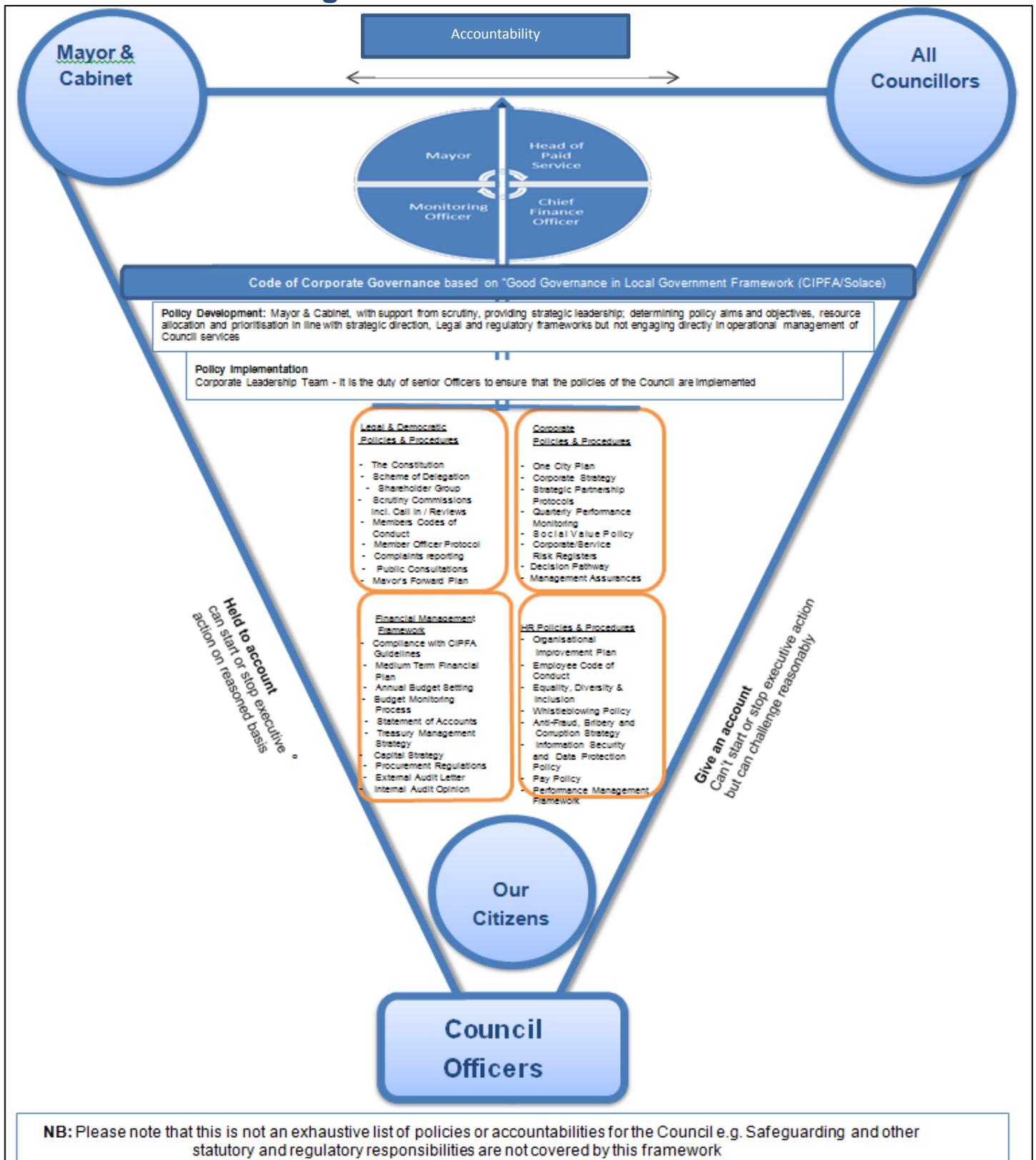
Scrutiny Commissions	Regulatory Committees:	Other Committees:	Partnership Boards:
<ul style="list-style-type: none"> <li>• Overview and Scrutiny Management Board (and call in sub committee)</li> <li>• Communities</li> <li>• Resources</li> <li>• People (including Health sub committee)</li> <li>• Growth &amp; Regeneration</li> </ul>	<ul style="list-style-type: none"> <li>• Development Control</li> <li>• Licensing</li> <li>• Public Rights of Way and Green Space</li> <li>• Public Safety &amp; Protection</li> </ul>	<ul style="list-style-type: none"> <li>• Audit (including a Values and Ethics sub committee)</li> <li>• HR Committee</li> <li>• Selection Committee</li> <li>• Appeals Committee</li> <li>• Corporate Parenting Panel</li> <li>• Women's Commission</li> </ul>	<ul style="list-style-type: none"> <li>• Bristol Homes*</li> <li>• Bristol Schools Forum</li> <li>• Economy Board*</li> <li>• Health and Wellbeing*</li> <li>• Learning City*</li> <li>• Keeping Bristol Safe Partnership</li> <li>• Transport Board*</li> <li>• WECA Committee (including their own Scrutiny and Audit Committee)</li> <li>• WOE Joint Committee</li> </ul>

\*One City Board

- 3.5 Legislation requires that certain functions be exercised by a 'proper officer'. The functions of the **Mayor, Executive, Head of Paid Service, Chief Financial Officer (s151 Officer), Monitoring Officer and the Statutory Scrutiny officer** are outlined in the Council's constitution.
- 3.6 The **Overview and Scrutiny Management Board and its scrutiny commissions** scrutinise decisions made by the Cabinet, and those delegated to officers, and review services provided by the Council and its partners. The scrutiny officer promotes and supports the Council's scrutiny functions.
- 3.7 In January 2019 the **One City Structure** was formally launched. The purpose of this is to support delivery of the **One City Plan** and enable cross sector engagement with a wide range of city partners. The structure includes 6 informal One City Partnership boards: health, learning, homes, transport, environment and economy and the Bristol Climate Advisory Committee on Climate Change. In June 2020 it was announced that a One City culture board and a children's board are also being established. None of the newly created boards have formal decision making authority; any decisions to be made (such as the adoption of policy) are to be taken in accordance with each city partner's own decision making processes; with the exception of the Homes, Learning and Health & Wellbeing boards which have delegated authority as set out in the Council's constitution. This authority pre-dates One City.
- 3.8 The **West of England Combined Authority (WECA)** is a separate legal entity, made up of three local authorities and West of England elected Mayor, working in partnership to deliver the region's transport, housing, adult education and skills and wider economic growth. Scrutiny and Audit Committees have been established to scrutinise and hold to account the Combined Authority and West of England Mayor. Decision making timetables between WECA/Joint Committee and the Council have been aligned with the Council's own decision pathway.
- 3.9 **Council Owned Companies:** The Council wholly owns Bristol Holding Limited which is the parent company of Bristol Waste Company, Bristol Energy and Goram Homes. Part of the group's governance arrangement includes a shareholder advisory group that maintains oversight of performance of the companies and external and internal audit assurance arrangements. Council has representation on company boards and an active Group Audit and Risk Committee is in place that oversees governance, risk management and internal control. In addition, following acquisition of shares from the University of Bristol, the Council is now the sole shareholder in Bristol is Open Ltd – an ICT research and development company. In June 2020 a proposal that it is reduced to an inactive company and the company's existing commitments (including the development of the extension of the current city network to the south of Bristol) are absorbed in to the Council was approved by Cabinet.

# Accountability within the Governance Framework

## O & S Management Board and Audit Committee



## 4. Governance Improvements We Have Made

4.1 Good corporate governance requires local authorities to carry out their functions in a way that demonstrates accountability, transparency, effectiveness, integrity and inclusion. The Council's Local Code of Corporate Governance sets out the framework by which the Council will meet that commitment. The Code is based upon the seven core principles in the table below. During 2019/20, the Council has continued to review and strengthen many aspects of its governance arrangements.

The table below provides examples of some of the improvements achieved:

CIPFA /SoLACE Principle	Improvements Made
<p><b>A. Behaving with integrity, demonstrating commitment to ethical values and respecting the rule of law</b></p>	<ul style="list-style-type: none"> <li>• <a href="#">Member Code of Conduct</a> and the Member Officer Protocol have been refreshed and updated with additional guidance for Members. A programme of staff training on the Member Officer protocol has taken place with over 200 participants to date.</li> <li>• A comprehensive Member Development Programme has been developed in 2019/20. Delivery has been postponed until May 2021 in view of new date of elections.</li> <li>• Whistleblowing arrangements have been reviewed and changed with a view to enhancing confidence in investigation and reporting. The key changes include the responsibility for managing whistleblowing arrangements changing from HR to Internal Audit and the creation of a whistleblowing hotline. In addition the whistleblowing procedure has been updated with regular updates to staff. Arrangements are in place for regular reporting to CLB and Audit Committee.</li> <li>• The Information Governance Board has provided focus for monitoring improvements in information governance. Implementation of an information security management system has commenced.</li> </ul>
<p><b>B. Ensuring openness and comprehensive stakeholder engagement</b></p>	<ul style="list-style-type: none"> <li>• A City Office and City Boards have been developed to support delivery of the <a href="#">One City Plan</a>.</li> <li>• A refresh of the Council's Partnerships Policy has been drafted and a template partnership Memorandum of Understanding developed; including signing formal MoU with the University of Bristol.</li> <li>• An updated Communications Strategy was approved and implemented, with a complementary Consultation and Engagement Strategy drafted.</li> <li>• The Forward Plan has improved through the provision of more detail of decisions to be taken by Cabinet over the course of the whole year.</li> <li>• The Scrutiny Work Programme review has been completed through workshops and agenda planning with chairs and committees to identify key areas for scrutiny work and different types of scrutiny that will be undertaken by task and finish groups or scrutiny commissions.</li> </ul>
<p><b>C. Defining outcome in terms of sustainable economic, social and environmental benefits</b></p>	<ul style="list-style-type: none"> <li>• Following a refresh of the Social Value policy (January 2019) a social value toolkit was developed in association with the Social Value Portal, city partners, councillors and other organisations. It seeks to ensure processes used to award funding or contracts recognise the added value the receiving organisation will make to Bristol, help</li> </ul>

CIPFA /SoLACE Principle	Improvements Made
	<p>organisations ensure social value is part of their procurement/bidding process and social value activity is measured and reported.</p> <ul style="list-style-type: none"> <li>Completed voluntary local review of implementation of the United Nations Sustainable Development Goals, mapping these against key strategies and launching an online City Dashboard.</li> </ul>
<p><b>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</b></p>	<ul style="list-style-type: none"> <li>The role of Chief Executive was introduced to give a focal point of accountability and leadership.</li> <li>Implementation of risk assessment in support of service planning.</li> <li><a href="#">Development of the Capital Strategy</a> 2020/21 – 2024/25 sets out how capital investment will play its part in delivering the ambitious long term strategic objectives of the Council.</li> <li>Completed a Corporate Business Intelligence Review to inform development of Information Management and Digital Transformation strategies which will improve our use of information and data.</li> <li>Commissioned independent support and facilitation around equality and inclusion practice, receiving recommendations around improving practice and developing a new suite of actions to improve and accelerate outcomes.</li> </ul>
<p><b>E. Developing capacity including the capability of its leadership and the individuals within it</b></p>	<ul style="list-style-type: none"> <li>Run leadership development programmes – including Directors Development Programme looking at systems leadership, cultural intelligence and action learning; piloting a systems leadership development programme for third tier managers; Bristol Leads – agile project management programme, training for new managers and Stepping Up programme (which seeks to improve diversity in city leadership) and various</li> <li>The <a href="#">Organisational Improvement Plan</a> which outlines our transformation journey and commitment to culture and leadership had after one year 87% of the actions were complete. The plan is currently being refreshed to take account of emerging priorities.</li> <li>Over 800 staff has attended mental health training, including 700 mental health first aiders and managers.</li> <li>The approach to recruitment has been refreshed and recruitment training has been delivered to support managers in effective recruitment practice</li> <li>800 hiring managers have undertaken a refresher on recruitment and selection training which focuses on unconscious bias. Our annual staff survey collects feedback on the effectiveness of the leadership team – and actions taken as a result include increased visibility through staff engagement sessions, webinars, celebrating success bulletins and weekly blogs and videos.</li> </ul>
<p><b>F. Managing risk and performance through robust internal control and strong public financial management</b></p>	<ul style="list-style-type: none"> <li>A Capital Investment Board (CIB) chaired by the Chief Executive has been established and leads on the development and maintenance of the Capital Strategy. The board has an oversight and stewardship role for the delivery of the Council’s capital expenditure.</li> <li>Financial and Procurement regulations have been reviewed to provide greater clarity around delegations and best practice approach.</li> </ul>

CIPFA /SoLACE Principle	Improvements Made
	<ul style="list-style-type: none"> <li>Strategic partner support has been procured to enhance capacity in procurement and improve contract management.</li> </ul>
<p><b>G. Implementing good practices in transparency, reporting and audit to deliver effective accountability</b></p>	<ul style="list-style-type: none"> <li>A joint exercise between management and Internal Audit has resulted in 76% of outstanding agreed action being closed.</li> <li>At company level, Bristol Holding Co. which oversees the delivery of the company's business plans, provides strategic alignment and the 'golden thread' between the companies and the Council was reconstituted in September 2019 under the leadership of an Executive Chair. The board has formed an Audit and Risk Committee for the group, which consolidates the functions previously undertaken by the separate Bristol Energy and Bristol Waste Audit and Risk. This committee provides oversight of governance, risk management and internal control arrangements across the group of companies.</li> <li>Introduced new suite of more accessibly designed performance products online; including annual target setting document and brochure detailing progress against annual Business Plan.</li> </ul>

## 5. Impact of Covid-19 on our Governance Arrangements

- 5.1 For the majority of the year 2019/20 governance arrangements were as described in the Code of Governance and the framework detailed above. However during March 2020, the coronavirus pandemic (Covid-19) started to significantly impact the UK and required a change in the way that governance structures operated to facilitate an appropriate response.
- 5.2 A major incident was declared and the Council focused on health response to the pandemic, business continuity and crisis management, directors needed to be in a position to make effective and swift decisions and complete transactions in an environment of limited access to original documents and information. UK regulatory guidance was revised at pace and as such the evolving Covid-19 situation posed some practical challenges in terms of governance, transaction execution and statutory compliance commitments and heightened risk of fraud. The appropriateness of the Council's response will continue to be monitored throughout 2020/21 along with the appropriate time to exit these arrangements, revise current policies or re-establish standard regulatory protocols.
- 5.3 Examples of changes to the governance arrangements included the following:
- Elections due in May 2020 were postponed until May 2021 in line with government direction.
  - Virtual meetings of Cabinet and committees were introduced as soon as possible after the secondary legislation to permit this was approved. Some meetings, for a short period prior to the legislation and technological support, were postponed.
  - The Council moved to Gold Command and Control arrangements and streamlined their decision-making processes in order to respond quickly and effectively to situations as they arose.
  - The Council's constitution and scheme of delegation for finance already provided for the Head of Paid Service or Section 151 Officer in consultation with Mayor or Deputy Mayor for Finance,

Governance and Performance to make decisions on amounts up to £2m on matters requiring immediate action or in an emergency. Cabinet approved an extension and expansion of existing emergency decision making powers to enable urgent decisions to be made with retrospective reporting to the Mayor and relevant Executive Member. This included incorporating emergency funding received into the Council's budget.

- A number of our policies and procedures were amended to ensure that communities, business and individuals were supported through the pandemic. Examples include:
  - Extending the Local Crisis Prevention Fund policy
  - Introducing greater flexibility in procurement and contracting protocols
  - Accelerating payment times to support suppliers and providers
  - Relaxation of end stage debt collection measures
  - A Trust and Protect Policy to balance expedience of support payments and the need for prepayment entitlement and fraud checking
  - Relaxing of sickness absence policy trigger points in relation to absence due to Covid-19, support to individuals with care responsibilities, introduction of a casual worker retention scheme
  - Facilitation of homeworking on a larger scale than previously
  - A streamlined approach to equalities impact assessments.
- 5.4 A Covid-19 specific risk register was maintained to manage risks of operational response delivery. Additionally the Corporate external / contingency risk BCCC3: COVID-19 reflects the positive action and pace of change the Council has adapted to delivering its services. This risk is being overseen in line with the regular reporting to the Corporate Leadership Team.
- 5.5 The appropriateness of the Council's response will continue to be monitored throughout 2020/21 along with the appropriate time to exit these arrangements, revise current policies or re-establish standard regulatory protocols. The Covid-19 pandemic has significantly impacted the Council, its finances and our residents, requiring us to review the way we deliver services and explore opportunities for new service delivery models in order to meet the needs of our residents. Modelling new ways of working as we exit emergency response measures is currently underway and will draw on the lessons we have learned during this time.

## 6. Review of Effectiveness

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- 6.1 The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and by comments made by the external auditors and other review agencies and inspectorates.

### First Line Assurances - Management Self Assurance

- 6.2 **Bristol City Council Management:** An annual management self-assurance statement signed by Executive Directors, Service Directors and Heads of Service confirming that the Code of Conduct, financial standing orders and financial regulations and other corporate governance processes have operated as intended within their directorates and service areas throughout the year was completed in April 2020.

Whilst this review did not identify any significant governance failings, a number of operational improvements were identified relating to mandatory training, organisational improvement plan, risk management, health and safety plans, information security, key performance indicators, capital programme delivery, commercialisation readiness, procurement and contracts and project management. These issues are also reflected in the Chief Internal Auditor's Annual Report for

2019/20 and will form part of the internal audit work programme for 2020/21. Section 8 of this statement provides further details about these operational matters.

**6.3 Council Companies Assurance:** Assurance statements based on the model used by Council managers have been completed by senior executives from Bristol Waste, Goram Homes, Bristol Energy and Bristol Holding. As the parent company with responsibility for overseeing the subsidiary companies, Bristol Holding reviewed the assurance statements from the three companies and their own assessment and provided an overall assessment of the group. Governance arrangements relating to the companies continue to evolve and Bristol Holding Ltd (BHL) reported that there are improvements in the risk management and control arrangements across the Council group of companies. The statement noted the dramatic change in the external economic and social environment in which Bristol Energy operates arising primarily from rapid changes in commodity prices followed immediately by the onset of the Covid-19 pandemic towards the end of the financial year. This required a significant shift of resources within BHL to support those areas at highest risk. Subsequently a decision was taken by Cabinet on 2 June 2020 to progress the sale of the business and or assets of Bristol Energy and should this be realised, it will have an impact on the financial position of the group.

## Second Line Assurances – Oversight and Monitoring Functions Assurance

- 6.4 The Council's **Monitoring Officer** has legal responsibility to look into matters of potential unlawfulness and has confirmed that there has not been the need to make a report concerning any proposal, decision or omission, that would give rise to unlawfulness or maladministration during the year. Decisions have been made in accordance with the relevant policy framework. The Monitoring Officer has oversight of decisions through the decision pathway and the legal service is consulted on the legal implications of all reports.
- 6.5 The Council's **Director of Finance** has confirmed she has not had to take any formal actions in her role as Section 151 Officer. Additionally, a review against CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (the Statement) in 2016 concluded that the CFO met the responsibilities of the Senior Finance Officer in full. She reports directly to the Chief Executive and is a member of the Council's Corporate Leadership Board. The CFO influences all material business decisions and oversees corporate governance arrangements, the audit and risk management framework and the annual budget strategy and planning processes. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
- 6.6 In October 2019, CIPFA issued a Financial Management (FM) Code designed to support good and sustainable financial management throughout the full financial cycle of financial planning, budget setting, in-year monitoring and reporting and statutory reporting. The first full year of compliance will be 2021/22. In respect of financial planning, the Council can demonstrate it is already on the journey to full compliance. We will continue to assess our compliance with the Code at each stage in the 2020/21 financial cycle, will monitor any changes applicable as a result of COVID-19 and take the necessary steps to demonstrate sustainability, resilience and ensure the Council's readiness for full compliance from 2021/22.
- 6.7 Assurances sought from the **Senior Information Risk Owner (SIRO)** in consultation with the **Statutory Data Protection Officer** confirm that an Information Governance Board is in place and working to oversee information governance arrangements. Areas of improvement have been identified and the Information Governance service will implement a General Data Protection Regulation (GDPR) phase 2 project to strengthen compliance across the Council. The Information Governance Board is monitoring progress to enhance arrangements in these areas.
- 6.8 Assurances sought from the **Director of Workforce and Change** confirm that a senior leadership structure is in place and an Organisational Improvement Plan, aligned to the corporate strategy, is in place which sets out how we aim to create the conditions for everyone to perform at their best.

Progress is routinely reviewed by HR Committee. Management information is available for all levels of the organisation and allows for data driven decision making. A programme of leadership development is also in place.

- 6.9 **A Corporate Performance Framework including a wide range of Key Performance Indicators** is in place to monitor achievement of SMART targets set by the Council against its Corporate Objectives. **Performance Monitoring Reports** are prepared and reported quarterly to monitor achievement of these – with a framework which ensures visibility of performance issues at all levels of senior management meetings, all Scrutiny forums and at Cabinet; enabling discussion and exploration of reasons for any under-performance. Quarter 4 reports for 2019/20 highlight that a significant number of our key performance indicators have not been met, and the 2020/21 framework has been adapted to provide clarity on which of these measures are the Council's sole responsibility, and which are city-wide measures over which the Council has only partial influence.
- 6.10 **Corporate Risk Reports** are produced each quarter and reviewed by the Corporate Leadership Board and Cabinet to ensure that risks are understood and managed effectively.
- 6.11 **The Programme Management Office** has a key role to play in overseeing the delivery of priority projects and programmes and also in monitoring the extent to which savings are delivered.
- 6.12 **The Council's Audit Committee** holds responsibility for oversight of the Council's governance arrangements and reports annually to Full Council on the results of their work. Matters highlighted by them during the year are reflected in the significant governance issues below.

### **Third Line 'Independent' Assurance, External Inspection and Review Functions**

- 6.13 The Council's **External Auditors** independently audit the Council to provide an opinion on the truth and fairness of the financial statements, the Council's use of resources and provide a value for money judgement. Whilst their audit of 2018/19 accounts was delayed (for reasons relating to complexity of the organisation and post balance sheet events (in relation to Bristol Energy and Covid-19), they have now finalised their work and issued an unqualified opinion on the accounts and value for money.
- 6.14 Consistent with the Public Sector Internal Audit Standards, the **Chief Internal Auditor's** annual report provides an opinion to members on the adequacy and effectiveness of the internal control systems and on the adequacy and effectiveness of the Council's risk management, control and governance process. The Chief Internal Auditor's opinion was that limited assurance can be provided that governance, risk management and internal control arrangements were in place and operating effectively. Despite this opinion being similar to the previous year, the Chief Internal Auditor has also reported that a positive trajectory to improvement is starting to emerge due to increased collaboration between Internal Audit and management and emphasised the need to ensure that the arrangements for monitoring and reporting of agreed management actions are embedded across the Council as part of performance management.
- 6.15 An **Ofsted and Care Quality Commission** review of Bristol's approach to implementing the **Special Educational Needs and Disability (SEND)** reforms as set out in the Children and Families Act 2014 concluded that a Written Statement of Action was required to address five areas of significant weakness in Bristol's practice:
- The lack of accountability of leaders at all levels, including school leaders
  - Inconsistencies in the timeliness/ effectiveness of arrangements for the identification and assessment of children and young people with SEND
  - The dysfunctional Education, Health and Care Plan (EHCP) process, and inadequate quality of EHCPs
  - The underachievement and lack of inclusion of children and young people with SEND, including the high rates of persistent absenteeism and fixed-term exclusions

- The fractured relationships with parents and carers, lack of co-production and variable engagement and collaboration.
- 6.16 As part of the Council's ongoing improvement journey around **Equality, Diversity and Inclusion which started in 2016**, the Council commissioned further independent support and facilitation services to help address allegations of institutional racism. A report recently issued has concluded that the Council's high aspirations around equality, diversity and inclusion have not been adequately reflected in practice; but added that structural racism is present in nearly all major organisations and is an issue for all local authorities. The Council has acknowledged that institutional racism is a legitimate issue which affects outcomes for Black, Asian and minority ethnic colleagues and has made race equality a 'high priority / high ambition' status via the Corporate Leadership Board decision. A report was considered by Cabinet on 14 July 2020 which included a series of actions, interventions and changes to address racism issues.
- 6.17 The **Local Government Association (LGA)** visited Bristol to provide an external perspective to inform the Council's action planning arising from the Corporate Peer Challenge in September 2018. At that time the LGA had made a number of observations and in January 2019, the Council agreed an action plan of improvement. Their review in September 2019 concluded that significant progress has been made towards delivery of all actions outlined in the action plan with 27 out of the agreed 38 actions reporting as complete with 11 in progress. A further review is due in autumn 2020.
- 6.18 **OFSTED** has inspected two Bristol City Council maintained schools. One school was judged to be good, one judged to be requiring improvement.
- 6.19 **OFSTED** has inspected five Bristol City Council children's homes. Two of the homes were judged to be requiring improvement.
- 6.20 There have been three inspections by the **Care Quality Commission** of adult social care in-house services, all of which were judged to be good.
- 6.21 The **General Registrar's Office** inspection resulted in the highest level of assurance that could be provided.

## 7. Significant Governance Issues

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- 7.1 In concluding the review of effectiveness, four significant issues have been identified that require focussed attention going forward. The actions being taken to effectively manage these issues are detailed in the table below:

### Significant Governance - 2019/20

Item	Issue	Key Actions
1	Covid-19	<ul style="list-style-type: none"> <li>• Covid 19 has had a significant and long term impact on delivery of our objectives and has presented challenges regarding financial sustainability. Suspension of many of our revenue sourcing operations and the additional expenditure incurred in responding to the crisis if not fully funded by government for 2020/21 and beyond will see a significant re-assessment of short and medium term delivery and financial plans and remodelling of operating models moving forward.</li> <li>• A review will be undertaken around the lessons to be learned from our response to the Covid-19 pandemic, including the identification of any improvement actions.</li> </ul>

		<ul style="list-style-type: none"> <li>• A One City Economic Recovery Statement of Intent has been agreed with City Partners.</li> <li>• A Local Outbreak Management Plan has been developed, a local Health Protection Committee and a Local Engagement Board have been established</li> <li>• A Recovery Overview and Coordination Cell and associated Board has been established.</li> </ul> <p><b>Responsible Officer: Chief Executive</b></p>
2	Bristol Energy	<ul style="list-style-type: none"> <li>• There are associated risks in terms of future sustainability of small energy companies operating in the current climate. The energy market is uncertain due to fuel price volatility, seasonal patterns and weather risks and more recently COVID-19. These could have a significant impact on governance in relation to the Council's accounts, any requirements for unbudgeted funding to resolve the issues and overseeing this position could result in diversion of resources. These risks remain even post the decision by Cabinet to progress the sale of the business and or assets of Bristol Energy and could affect the ability to achieve a true and fair value for the business and or assets.</li> <li>• The Council is working with Bristol Holding and Bristol Energy boards to ensure that all options for an effective sale of business or assets are being considered and progressed.</li> </ul> <p><b>Responsible Officer: Chief Executive</b></p>
3	Special Educational Needs and Disabilities (SEND)	<ul style="list-style-type: none"> <li>• A written statement of action was submitted and approved by Ofsted in March 2020.</li> <li>• Action plans are in place to deliver improvements required with operational oversight by the SEND partnership group.</li> <li>• Overall progress is being overseen and assured by the independently chaired SEND Improvement Board.</li> <li>• Additional resources have been secured to develop and deliver the necessary changes in the SEND system and to provide increased capacity within key services.</li> <li>• Performance of EHCP statutory processes is monitored weekly at director level, and bi-monthly at Executive Director level.</li> <li>• The area is also included for review in the Internal Audit plan for 2021.</li> <li>• DfE and NHS England advisors carry out quarterly monitoring visits to check on progress and report back to DfE.</li> <li>• Partners in the local area will be re- inspected approximately 18 months following this inspection.</li> </ul> <p><b>Responsible Officer: Executive Director, People</b></p>
4	Equality, Diversity and Inclusion	<ul style="list-style-type: none"> <li>• An action plan 'Advancing Equality and Inclusion: new actions for 2020/21' was approved by Cabinet on 14 July 2020 which builds on work previously completed and identifies a number of new actions which will support equality, diversity and inclusion. The actions will be embedded across the Council's business in policies, strategies and leadership that drive change in operational practice to make sure that equality, diversity and inclusion is a central part of everyone's business.</li> <li>• Funding to support actions in the plan has been allocated.</li> </ul> <p><b>Responsible Officer: Chief Executive</b></p>

7.2 [The Annual Governance Statement](#) 2018/19 - Progress Update covering significant governance issues identified in the previous year was presented to the Audit Committee in May 2020.

## 8. Other Issues Identified from the Review

Whilst not considered significant governance issues the following issues were identified in annual management self-assurance statements signed by the Council's Executive Directors, Service Directors and Heads of Service as requiring further improvement to enhance our control, risk and governance arrangements going forward:

	Area:	Improvement Lead:
1	<b>Mandatory Training Completion:</b> Managers self- assurances identified that the lack of a system to record completion of training and remind when a refresh is required has meant managers were not able to confirm this requirement has been complied with. In addition, the unavailability of some training modules for staff to attend was an issue as well as staff turnover in some areas.	Head of HR Executive Directors
2	<b>Organisational Improvement Plan (OIP):</b> Managers self-assurances confirmed that there is awareness of the organisation values included in the OIP but other aspects of the plan are less well understood and there is a need for better monitoring of actions by management teams.	Head of HR Executive Directors
3	<b>Risk Management:</b> Managers self- assurance identified inconsistency in completion of service risk registers and a need for risk management training. Additionally, an Internal Audit review of risk management arrangements identified improvements are required to plan activity that will further support embedding of arrangements and the need for greater alignment of risk with service planning.	Director of Finance Risk and Insurance Manager Executive Directors
4	<b>Completion of Health and Safety Plans:</b> Managers self-assurances have confirmed plans are generally in place but there are some services where this is not the case across the Council.	Executive Director People
5	<b>GDPR and Information Security Compliance:</b> Managers self-assurances, the SIRO and Internal Audit have identified a need for improved compliance in a number of related areas including completion of privacy impact assessments, data sharing agreements, records of processing activity and information retention policies.	Senior Information Risk Owner Head of Information Assurance
6	<b>Achievement of Key Performance Indicators (KPI):</b> Performance reporting identified that a significant number of key performance indicators had not been achieved. A root cause analysis will be undertaken to review how we set and monitor our KPIs as well as how we drive our organisation to meet them.	Executive Directors
7.	<b>Capital Programme Delivery:</b> The Capital Investment Board has continuously reviewed the capital programme. There is a need to strengthen business process across the capital project lifecycle to ensure that we are managing workflow effectively, aligning resources to risks and milestones and maintaining a grip on the overall portfolio.	Executive Director Growth and Regeneration
8.	<b>Commercialisation Readiness:</b> Internal Audit review of the Council's commercialisation strategy and plans identified they require significant enhancement to strengthen the Council's commercial culture.	Director Commercialisation + Citizens and Shareholder Liaison
9.	<b>Procurement and Contracts:</b> Internal Audit reviews in this area highlighted a need to review approaches to procurement and contract management. Assurances from the Director of Finance acknowledged the programme of improvements required and that strategic partner procurement can now provide some additional capacity to improve contract management processes, increase oversight of contracting activity, provide training and ensure value for money is achieved.	Director of Finance – lead Head of Procurement
10.	<b>Project Management:</b> A number of programme or project management related internal audit reviews concluded improvements were required in programme management. Additionally, the 2019/20 year end outturn and	Director of Workforce and Change

	savings programme report indicated £5.3m of non-delivered and unmitigated savings primarily across Adult Social Care and Facilities Management.	
12.	<b>Debt Collection Policies:</b> Internal Audit Reviews in a number of areas identified an absence of clear and effective debt collection policies and procedures. Proposals will need to be developed to gain greater consistency in approach to strengthen these weaknesses in 2020/21.	Director of Finance

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