

Annual Governance Statement 2017/18

Purpose of Statement

The purpose of this Annual Governance Statement (AGS) is to provide an overview of how the Council's governance arrangements operated, during the period 2017-18 and the subsequent period, up to the sign off of the 2017/18 financial statements and how the Council has reviewed the effectiveness of these arrangements. This statement includes an appraisal of the key controls in place to manage the principal governance risks. Where significant governance issues are identified, an explanation of what actions have been taken to bring about required improvement and the work still to be undertaken are recorded in an action plan.

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.

The draft statement was presented to Directors and to the Audit Committee in May 2018, following which this statement has been finalised and formally approved.

Scope of Responsibility

We are responsible for ensuring that our business is conducted in accordance with the law and proper standards, and for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. We also have a duty under the Local Government Act 1999 to continually review and improve the way we work, while at the same time offering value for money and an efficient and effective service.

What is Corporate Governance?

"Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved."

The Code of Corporate Governance

The Council has approved and adopted a Code of Corporate Governance (the Code). The code is consistent with the principles of the Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives (CIPFA/SOLACE) Framework - *Delivering Good Governance in Local Government*.

A copy of the Code is available on the Council's website. This statement explains how the Council has complied with the Code.

The Code was refreshed and approved by the Audit Committee in January 2018 and will be reviewed on an annual basis.

The Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community.

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.

- 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.

Legislation requires that certain functions be exercised by a 'proper officer'. The functions of the Mayor, Executive, Head of Paid Service, Chief Finance Officer (S151), Monitoring Officer and Statutory Scrutiny Officer are outlined in the Council's Constitution.

Committees & Boards

Scrutiny Commissions:	Regulatory Committees:	Other Committees:	Partnership Boards:
<ul style="list-style-type: none"> • Overview and Scrutiny Management Board (and call in Sub committee) • Resources* • Neighbourhoods* (Communities) • People* (Adults, Children & Education) • Place* (Growth & Regeneration) <p>*Constituted but did not meet in 2017/18 (see Decision Making , p.7)</p>	<ul style="list-style-type: none"> • Development Control • Licensing • Public Rights of Way & Green • Public Safety & Protection 	<ul style="list-style-type: none"> • Audit • HR • Selection Committee • Appeals Committee • Womens Commission 	<ul style="list-style-type: none"> • Bristol Homes • Health & Wellbeing • Learning City • Children's and Adult's Safeguarding • WECA Committee • WOE Joint Committee

Accountability within the Governance Framework

O&S Management Board; and
Audit Committee

Accountability

Mayor &
Cabinet

All
Councillors



Code of Corporate Governance (The Council's commitment to good governance is based on " Good Governance in Local Government: Framework (CIPFA/Solace,

Policy Development

Mayor & Cabinet - providing strategic leadership; determining policy aims and objectives, resource allocation and prioritisation in line with strategic direction, Legal and regulatory frameworks but not engaging directly in operational management of Council services

Policy Implementation

Corporate Leadership Team - It is the duty of senior Officers to ensure that the policies of the Council are implemented

**Legal & Democratic
Policies & Procedures**

- The Constitution
- Scheme of Delegation
- Shareholder Group
- Scrutiny Commissions incl. Call In / Reviews
- Members Codes of Conduct
- Member Officer Protocol
- Complaints reporting
- Public Consultations
- Mayor's Forward Plan

**Corporate
Policies & Procedures**

- Corporate Strategy
- Strategic Partnership Protocols
- Quarterly Performance Monitoring
- Management Assurance Statements
- Corporate & Directorate Risk Register
- Decision Pathway

**Financial Management
Framework**

- Compliance with CIPFA Guidelines
- Medium Term Financial Plan
- Annual Budget Setting
- Budget Monitoring Process
- Statement of Accounts
- Treasury Management Strategy
- Procurement Regulations
- External Audit Letter
- Internal Audit Opinion

**HR
Policies & Procedures**

- Employee Code of Conduct
- Equality & Diversity
- Whistleblowing Policy
- Anti-Fraud, Bribery and Corruption Strategy
- Information Security and Data Protection Policy
- Pay Policy
- My Performance Framework

*Held to account
can start or stop executive
action on reasoned basis*

*Give an account
Can't start or stop executive action
but can challenge reasonably*

Our
Citizens

Council
Officers

NB: Please note that this is not an exhaustive list of policies or accountabilities for the Council e.g. Safeguarding and other statutory and regulatory responsibilities are not covered by this framework

Statement

How did we do?

The Council operates in a complex, uncertain and constantly evolving financial, policy and legislative environment and the role, responsibilities and funding models of local government are in a period of rapid flux.

There was recognition early in the year of the need for change in how the Council must work to manage increasing demands for our services in the context of shrinking budgets. In addition we must also consider the structures required to ensure the right support is available and the required changes to support new ways of working are in place. The Council must continue to engage in a broad programme of innovation and reform work. This is to ensure that services for residents are efficient, effective and value for money, and can be maintained within available resources.

The Council's vision for Bristol and priorities in terms of the contribution to strategic outcomes has been clearly set out in the refreshed Corporate Strategy 2018-2023. It makes new commitments and focuses more on partnership working, inclusivity and a strategic direction as a 'development organisation', with less emphasis on the traditional 'service delivery' model. One element of the Council's vision is to 'play a leading role in driving a city of hope and aspiration where everyone can share in its success.'

The underpinning annual business plan identifies four strategic themes:

- Empowering and caring
- Fair and inclusive
- Well connected
- Wellbeing

It is explained within these themes the actions we're taking, the related commitments that will help us achieve this vision and the key measures of success. The business plans are supported by more detailed service plans which will be regularly monitored and reviewed during the course of 2018.

A clear set of council values and behaviours has been agreed and communicated via a range of mechanism and forums which have included staff training workshops and are being embedded in our 'My Performance' framework.

The Council has continued to review its governance arrangements, the Constitution and underpinning strategic documents such as the Financial Regulations, Contract Procedure Rules, and scheme of delegations. All have been refreshed and were approved by full Council in May 2018.

Following the departure of the Chief Executive in 2017 the statutory role of head of paid service has been discharged by the Executive directors on a rotational basis. A new senior management structure at strategic and service director level has been designed, creating a smaller team who will work with partners in co-designing initiatives and delivering our priority outcomes. The structure was launched by the Mayor in December 2017 (details of the structure are available on the Council's website). A transitional approach has been taken to its implementation. A phase of permanent recruitment is ongoing and progress is being made in relation to the delivery of agreed savings in senior management posts. The changes taking place present both opportunities and challenges. Major change can affect organisations across all levels. In implementing new strategies, processes and structures we have sought where possible to minimize negative outcomes. The scale and timing of the staffing changes has presented challenges in terms of capacity, continuity, contact points for external customers, transition planning and handover of delivery plans. Interim resources have been secured to provide backfill capacity, independent assurance and address skills gaps. This has enabled stocktakes and in-depth reviews to be undertaken with a fresh pair of eyes and the right expertise. Further issues and risks have been unearthed and improvement plans developed in a number of key areas.

How did we do?

The strategic financial framework, financial management and quality of the financial reporting have improved during the course of the year. There has been a particular focus on stabilising the Council's finances and within the challenging financial climate building resilience for the medium term. We have demonstrated that we are implementing achievable actions to deliver the cumulative savings programme as agreed by Council. We have ensured that there is a Council-wide commitment to identify alternative savings plans, where savings are at risk and hold funds in abeyance to mitigate the impact of the combined savings and budget pressures. A balanced position has been achieved for 2017/18 and with the exception of the Dedicated Schools Grant (DSG), ring fenced accounts have ended the year with under spends.

There is still however much to do in improving our financial management. Significant focus has been on the general fund and we now need to review and ensure ring fenced accounts, capital programme management, governance of our partnerships and our companies are also exposed to similar levels of rigour.

The Council welcomes peer challenges, internal and external review and audit, and inspections from regulatory bodies and gives thorough consideration to arising recommendations. Management responses are provided and agreed actions are being implemented and appropriately embedded.

Further Progress Required

A number of key challenges that were identified in 2017 remain at the early stage of development and continue to be high priority areas of work, particularly around workforce, skills systems and processes, which is scheduled to continue throughout 2018 as part of our transformation. The size, complexity and scale of the improvement work required and the level of resources available has meant a more pragmatic approach being adopted. This has ensured strong governance and co-design over changes being developed and implemented and has been critical in our ability to sustain both the improvement work and ongoing successful service delivery.

In relation to health and social care, it is acknowledged by all relevant partners that targets have not been met in the transfers from acute and non-acute care (delayed transfer of care). Arrangements for effective discharge planning and joint working between services need to be improved and funding is being earmarked for this purpose. The Better Lives Adult Transformation Program is seeking to address a number these issues and the progress will be closely monitored and reported throughout the year.

Within the context of changing national policy in relation to schools, including changes to the school funding formula, number of schools in deficit, high needs pressures and the reducing role of local authorities, a detailed review is required with a plan developed which supports schools to deliver a good or better level of continued improvement of education within a reduced funding envelope.

There is a shared view amongst service managers that navigating and negotiating corporate governance structures has been particularly challenging in 2017. Decision making processes were considered to be cumbersome and not sufficiently supporting service delivery. Consequently these have been subject to further review with the aim of ensuring the interventions add value whilst not reversing any positive trajectories achieved. The effectiveness of the changes in processes will continue to be monitored.

The review of governance arrangements has identified 12 main areas where the Council will need to focus its efforts during 2018/19, to address changing circumstances and challenges identified. These are set out in the action plan. Completion or substantial progress against these objectives is due by the end of the financial year, in March 2019.

Review of Effectiveness – Decision Making

The **Constitution** establishes how the Council operates, outlining the roles and responsibilities of the executive, non-executive, scrutiny functions and sets out the terms of reference for each of the Committees and includes a schedule of matters reserved for decision by Full Council, delegation arrangements to Members and Officers. Supporting procedures underpin the Constitution for example Financial Regulations, Contract Procurement Rules, Member/Officer Protocols and other procedures of how decisions are taken and the processes and controls required to manage this.

All Council and committee meetings are held in public other than in limited circumstances where consideration of confidential or exempt information means the public are excluded.

The **Cabinet** is responsible for the key decisions of the Council. The Cabinet met frequently and made decisions in line with the Council's overall policies and budget.

The **Mayor** holds executive decision making powers in relation to all policy decisions not reserved for the Council. Requests have been made by Councillors for greater visibility of future decisions and at present the Forward Plan is kept under review and published monthly. The Mayor will take (or delegate to Cabinet members) key decisions in public.

Delegation of decision making to officers is detailed in the Scheme of Delegations so that they can deal with the day-to-day running of the service.

A '**Decision Pathway**' was introduced in the early part of the year to support the decision making process aiming to ensure that decisions were lawful, properly consulted and made based on full and accurate information. Practical application of the decision pathway however identified it as being complex and over-technical by managers across the Council and a perception that it resulted in delays in making timely decisions and in some cases missed opportunity.

The decision pathway has more recently been reviewed again to address these concerns and its effectiveness is subject to ongoing review.

Records - Decisions made by Committees, Council and Cabinet, (under their delegated powers) are recorded and published online for transparency. Senior Officers decisions (with a value of £100K to £499K) are recorded in meeting minutes, including meetings with the Executive Member and the relevant management team. A review of the publishing of Officer Executive decisions is under way and reminders have been issued at Directorate Management level.

Consulting members in decision making is a core part of the democratic process. Members are engaged through a variety of methods including weekly Cabinet Member/Portfolio holder briefings for which minutes are taken. Additionally, officers work alongside Scrutiny members in task and finish groups targeting particular areas.

The Council publishes a calendar of meetings and deadlines for the submission of agenda items. Agendas and reports are produced promptly and provided to the relevant Members 28 days in advance of decisions unless the need has arisen to use the special urgency provisions.

The decisions of the Cabinet are subject to scrutiny through the Overview and Scrutiny Management Board and can be called in for scrutiny to ensure that they are soundly based and consistent with Council policy.

Scrutiny Members decided to trial a different approach to scrutiny during 2017/18 which, in addition to the Overview and Scrutiny Management Board, established task and finish groups in place of directorate scrutiny committees. These were not public meetings; the groups included wide Member involvement aimed to undertake 'deep dives' of identified areas with a view to service or policy improvement.

The 2017/18 **Scrutiny Task and Finish Groups** were:

- Air Quality and Pollution
- Children's Centres
- Cribbs Patchway New Neighbourhood
- Council Assets
- Council Commissioning and Contracts
- Demand on Social Services (Adults)
- Fire Safety in Council Owned High Rise Buildings
- Libraries
- Medium Term Financial Plan
- Parks

The effectiveness of the Task and Finish Group arrangement has been reviewed with Members in February 2018 and 2018/19 will see Public Directorate scrutiny commissions meeting 3 times each year with a reduced number of Task and Finish groups. The Overview and Scrutiny Board, which met 14 times during 2017/18, will continue to meet going forward and will overview the work of the other scrutiny commissions.

The role of the **Human Resources Committee** includes the employment and remuneration of Executive Directors and Directors. Full Council has delegated to the Committee the power to determine the terms and conditions on which employees hold office including procedures for their dismissal and functions relating to local government pensions.

The **Audit Committee** meets independently of the Executive and Scrutiny functions. Whilst it has no routine decision making authority (outside of approving the annual statement of accounts), it provides assurance to Full Council that decision making processes are sound. A key purpose of the Audit Committee is to hold officers and the Executive to account where decision making and risk management processes have not been robust.

The **West of England Combined Authority (WECA)** is a separate legal entity, made up of three of the local authorities, working in partnership to deliver economic growth in the region. The West of England Mayor, who was elected in May 2017, has been given powers over spending, previously held by central government, on the region's transport, housing, adult education and skills. WECA also provides support to the West of England LEP Board and to the West of England Joint Committee, which includes North Somerset Council.

Scrutiny and Audit Committees have been established to scrutinise and hold to account the new Combined Authority and West of England Mayor. Decision making timetables between WECA/Joint Committee and the Council need to be aligned in order that those aspects of business which require Council approval are given sufficient time, scrutiny and governance.

Review of Effectiveness – Integrity, Ethics and Openness

The Council has responsibility to review the effectiveness of its governance. This review has been co-ordinated by the Internal Audit Team and included managers from each Directorate collating, reviewing and evidencing compliance and identifying any governance improvements required within their areas. Issues identified by External Reviews, Internal and External Audit were also considered for inclusion in this statement. Where the issues identified are considered significant, these will be outlined in the 2018/19 Annual Governance Statement action plan.

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. Decisions have been made in accordance with the relevant policy framework.

Entries made in the Register of Members Interests were reviewed by the Monitoring Officer.

The Council's **Code of Conduct**; all new employees are required to declare any potential conflicts of interest and to sign the Code of Conduct upon commencement of employment. The adherence to timeliness for recurrent declaration of interests has improved within 2017/18 and will continue to be monitored on an ongoing basis.

The Council also has a Code of Conduct for elected and co-opted Members. The Audit Committee monitors standards of conduct of Members and when it appears that a breach may have occurred these are referred to the Audit Committee by the Monitoring Officer for a hearing.

If it appears that the Code of Conduct may have been broken by a member of staff that would warrant disciplinary action. This would be referred to the relevant service (HR or Audit) for investigation.

Employees are made aware of **core policies** such as the Anti-Fraud and Corruption Policy, the Whistleblowing Policy and the IT Security Policy upon induction and updates are shared through "The Source" (Council intranet) or cascaded through leadership and team meetings.

The Council informs, consults and involves residents in significant decisions including service and budget changes. Their views are submitted to those making decisions for consideration. Consultations and surveys this year have included a survey on council tax increase and a consultation on new ways of running parks and open spaces.

The Audit Committee is responsible for ensuring that arrangements are in place for the proportionate and independent investigation and follow up of **Whistleblowing** allegations, in line with recommended best practice.

The annual review of Whistleblowing arrangements occurred in 2017/18 and some areas where improvements could be made regarding awareness and confidence in Whistleblowing arrangements were identified and reported to the Audit committee during the course of the year.

Review of Effectiveness –Service Planning and Delivery

An extensive consultation exercise in 2017 led to a new **Corporate Strategy** for the period 2018-23, adopted by Full Council meeting in February 2018 as part of the Council's Policy Framework. The Corporate Strategy provides the Council's overarching medium term strategic direction and priorities for the next five years. In addition the strategy now takes account of the emerging One City Plan and updates information on the challenges facing the Council.

This is the basis on which the annual business plans have been prepared and the Council's performance framework (included individual officer performance) is grounded.

To keep the plan relatively short and simple, only the top level actions and most important measures of our success have been included in the Business Plan. Some actions may relate to more than one commitment, but are listed next to the most relevant one. To ensure the plans and the milestones and high level performance indicators remain relevant, they will be periodically refined in response to internal and external changes.

The Corporate Strategy includes our **values & behaviours** which defines how we work and what we stand for. These will be rolled out and embedded within the whole organisation.

Performance is monitored in line with business plan themes, directorate and key service plan drivers. In some areas such as Children's services, performance is measured and monitored via national professional standards.

The Council's approach to managing staff performance ("**My Performance**") requires regular, quality conversations and periodic online assessment. Online completion is monitored but inconsistent application has been identified. The Head of Human Resources has advised that only 42% of staff having registered completion of review compared to 68% in 2016/17. This decline in completion has resulted from a lack of clarity regarding the timing, development and roll out of the new performance monitoring framework that appropriately reflects the Council's vision and values.

The average working days lost to **sickness** as at December 2017 was 9.22 days, compared to 8.4 at the comparative period in 2016. This exceeded the target of 7.5 days and absence due to stress and limb disorder has significantly increased in 2017.

A number of planned additional actions have been developed to improve the number of working days lost due to absence; including regular case management, proactive targeted support for managers and systematic performance reviews.

Work is now well progressed on a **Strategic Workforce Plan** which now needs final approval and implementation. The plan will include work streams on: organisational culture; structure pay and reward; performance and talent management; diversity and inclusion; employer brand, recruitment and health and wellbeing. The Health and Wellbeing work stream includes: mental health training for staff; assisting colleagues through change; and launching a wellbeing website with support tools for managers and staff.

Partnership working is fundamental to the work of the Council and delivery of the Corporate Strategy. There are many forms of collaboration with other organisations and these are governed in many ways – constitutional governance groups, contractual arrangements, partnership/service level agreements and information sharing arrangements. Some work-streams, however, would benefit from a more formalised approach than is currently taken. Work to refresh the Partnership policy is underway and will be based on a full awareness of all partnership arrangements.

In planning its services, the Council aims to consider the social, economic and environmental impact of its approaches. These aims are at the heart of public service and there are many examples of how Council services deliver '**social value**' of this kind.

More specifically the Council considers Social Value at pre-tender and tender stage to ensure that appropriate desirable outcomes can be offered by suppliers in their tender submission Further work is required to ensure that social value outcomes are agreed, clearly understood and effectively monitored going forward and to this effect the Social Value element of the Contract Procedure rules have been strengthened.

The Council has a procedure for tracking, handling and reporting formal complaints. These are reviewed and reported through the performance reporting framework.

During 2017/18, the Council responded to 76% (target of 90%) of complaints within the required timescales. Whilst this demonstrates progress when compared to 2016/17 (58%), we recognise that improvements are required to achieve higher levels of compliance.

Additionally, to further enhance performance the Council must also ensure that they learn from complaints received.

In 2016/17, a need to enhance Member development arrangements was identified. Ensuring Members have the correct skills to support community leadership and decision making is an important aspect of delivering the Council's aims and objectives. Additional resources have been allocated to develop a robust Member development programme going forward.

A new approach to Member briefings, various programmes of training has been delivered (e.g. to the Audit Committee) and a member online library containing items such as technical briefing has more recently been developed to ensure there is coordination and ease of access to information. A Member development steering group has been established and they have undertaken a gap analysis against the LGA Chartermark. This is forming the basis for a programme of work that is in part supported by the LGA but also strengthens links with other services.

A **Multi-Agency Learning Review**, completed by the community safety partnership, Safer Bristol was published in December 2017 following the death of Mr Bijan Ebrahimi.

This report concluded that both the Council and the police collectively failed to provide an appropriate and professional service to Mr Ebrahimi. The review identified 14 recommendations for organisations, 4 specifically for the Council which included the process and evidence for Anti-Social Behaviour injunctions, a review of current vulnerable tenants, reviewing diversity training and awareness raising activities and change in our vulnerable tenant's policy. Actions outlined in the agreed action plan are being progressed and delivery is monitored through the Safer Bristol Executive.

The Local Government and Social Care Ombudsman made findings of fault in respect of the way the Council dealt with a family's housing and homelessness applications and storage of their belongings. The family had to share a single hotel room for more than three years.

The report referred to a number of Council departments being aware of the family's problems in the period 2014-2017 but that "nothing was done about their housing situation until the Ombudsman got involved." The report noted the actions taken by the Council to provide part remedy, for example action during the investigation to register a homelessness and housing application. Recommendations were made and actions required in terms of financial remedy, publication of the report, reporting the matter to the Council and informing the Ombudsman of compliance with the actions specified.

The Council has an information security policy which is currently being refreshed to include strengthened requirements brought by the General Data Protection Regulations (GDPR). The holder of Senior Information Risk Owner (SIRO) role has changed during the year with a new SIRO appointed in February 2018. Turnover in asset owners and lead custodians has also brought a loss of organisational knowledge however this has provided the opportunity to review practice and procedures.

98% of staff has been trained in information security and GDPR training is currently being rolled out to all employees with 95% completion currently achieved. Further work, however, is still required to train colleagues in data retention.

A future state assessment of Information and Communications Technology (ICT) has taken place resulting in identification of a 'desired' future state that is modern, flexible and stable. If implemented effectively, the future state will help to ensure that the Council's ICT works to support departments in delivery of Council services going forward and enables the Council's digital ambitions, as these become clearer, to be realised. An achievable but challenging transition plan has been developed and costed with the intent of moving the Council to the desired state by 2023.

The future state offers a vision of ICT provision that is both lean and well positioned to leverage the benefit of current technology to help deliver the Council's digital ambitions for great end to end digitisation of services. The Council is, however, currently operating without a business led Digital Strategy to co-ordinate and drive digital development across the Council.

The priority given to preparing for the new GDPR regulations was escalated in the latter part of the year and additional resources sourced to address key priorities for compliance by 25 May 2018. A risk based approach is now being taken which will see the key building blocks in place by the 25 May, including:

- Training completed Council-wide
- Processes for handling subject access requests
- Record of processing activity
- New contracts will be GDPR compliant
- Updated privacy notices
- Privacy Impact Assessment (PIA's) completed
- Consent forms updated
- Old data reviewed and in the process of being deleted

Plans are in place to ensure the Council is fully compliant going forward and progress is being monitored by the SIRO. At the same time, information governance overall is being reviewed to incorporate stronger oversight of arrangements concerning information management and security including reviewing the role and terms of reference of the information assurance group.

Procedures were in place during 2017/18 to report information security breaches internally. Some 280 such reports were made during the year, of which 2 were reported to the Information Commissioner's Office with no further action being required in either case although in one case the Council were deemed to be in breach. Senior managers have provided assurance that action by them, in concert with experts in the Council, to respond to those breaches appropriately were taken. However, there have been some failings to report breaches to the information commissioner in a timely way. Similarly, a number of subject access requests had not been dealt with in a timely manner. Processes are now being reviewed as part of GDPR preparations to ensure these processes are rectified now and going forward.

Review of Effectiveness – Risk Management Arrangements

The Council's **Risk Management Policy** was reviewed, endorsed by the Audit Committee (September) and approved by Cabinet (December 2017). The Corporate Risk Register is part of this framework and is an articulation of the key risks impacting the Council. It is intended to be used to inform decision making, provide assurance over actions being taken to manage key risks and to inform directorate level risk management planning and mitigation activities.

For the key strategic risks, named risk managers are identified in the Register. Risk management should be an integral component of the business planning, project management and other corporate processes, such as the budget, linking risk to the achievement, monitoring and resourcing of objectives at directorate level.

Risk management needs to continue to be embedded within the Council and risk training options are currently being reviewed and refreshed including consideration of online tools.

The Corporate Risk Register was refreshed using new methodologies as outlined in the policy and received by the Audit Committee November 2017 and Cabinet January 2018. It is proposed that the Corporate Risk Register will be reported at least twice a year.

However, during 2017/18, the following practices were not consistently applied to assist with embedding Risk Management at all levels and across the Council:

- **Quarterly review of Corporate and Directorate Risk Registers.** This lapsed during the year. Whilst development work was completed in respect of the Corporate Risk Register, Directorate Risk Registers were not consistently maintained in line with the new format and or policy.
- Whilst the Risk Management Policy was approved, **training and awareness** needs to be addressed to ensure consistent application.

I.T contracts which support the delivery of corporately **critical systems have been systematically risk assessed** and monitoring and mitigation have been developed to minimise Council risk exposure across the 280 contracts.

The Council responded seriously to the financial challenge and had set about reassessing its financial bases to more realistic levels to address the financial gap. A number of areas of the financial plans were ambitious and some areas of risk were identified and have been managed.

Resourcing Risk Management: A dedicated and specialist risk manager was not in place to drive forward improvements and assist managers and advise Members on the management of risks and issues. An interim resource has been sourced early in 2018/19 to support the Council with embedding the principles and to consider how this area should be resourced in the future.

Whilst risk management has been inconsistent at strategic level, assurance statements from managers across the Council indicate ongoing consideration of risk at service delivery level. This can range from management of service risks in line with that governed by national frameworks and professional standards to risk consideration in project delivery or new business case approvals.

The **Director of Finance** has confirmed that the principles outlined in the CIPFA *Statement on the Role of the Chief Financial Officer (S151 Officer) in Local Government* have been complied with in performing her duties.

The S151 Officer is a member of the Councils Corporate Leadership Team and as such is ideally placed to develop and implement strategic objectives within the Council, influence material business decisions and oversee corporate governance arrangements, the audit and risk management framework and the annual budget strategy and planning processes.

The Council's approach to Financial Management ensures that public money is safeguarded and used to best effect in supporting both long term achievement of objectives and shorter term financial and operational performance when ensuring value for money is achieved.

Changes to the local government finance system, and delivery of continued significant savings continues to present significant risks to the Council's priorities and ambitions. Through effective leadership the key focus for 2017/18 has been:

- Delivering our core strategic framework (of which financial framework is integral), improved financial management and quality of the reporting
- Stabilising of Council finances within the challenging financial climate.
- Implementation of a strengthened regime of governance and assurance.
- Ensuring sufficiency of resources with appropriate skills and capabilities.

Good progress has been made in the following areas:

Core strategic framework

- Review Policy and Budget framework within the Constitutional review
- Refresh financial regulations / scheme of delegations
- Developed a 5 year rolling MTFP
- Contract procedure regulations

Stabilising of Council finances

- Annual budget, including 5 year capital programme and Treasury Management Strategy.
- LGA Budget Peer review undertaken to support this process and improve budget setting.
- Budgets have been managed within delegated limits – balanced position achieved for 2017/18.

Strengthened governance and assurance

- Improved governance of savings programme via the Delivery Working Group and Delivery Executive and budget management Budget Scrutiny and Budget Executive – Member involvement
- Increase capacity and profile of Internal Audit, with improved inspection and assurance regime.
- The MTFP and budget process involved the engagement of members via the Scrutiny Task and Finish Group.

Sufficiency of resources with appropriate skills and capabilities

- Resources realigned to provide greater agility and risk based target of resource
- Additional skills and capacity secured via interim resources.

Further work is required in the following areas:

- Develop a Capital Strategy and improved governance of the capital programme
- Deep dive review of ring fenced accounts (HRA / DSG/ PH), partnerships and our companies
- Implementation of outstanding audit recommendations and finance systems and process improvements.

The 5 year **Capital Programme** contains high level programme areas and schemes at varying levels of readiness and as outlined in the draft finance outturn report for 2017/18 many projects have been subject to delays as a result of internal and external factors which have resulted in significant slippage and incremental re-profiling of budgeted / planned expenditure. This is a trend which we have seen reflected in prior years (identified in the 2016/17 AGS review) and urgent improvement is required to strengthen project management and capital governance.

The updated 2017 Prudential Code for Capital Finance in Local Authorities and its associated guidance highlight the need for the further strengthening of capital governance arrangements in local authorities. A Capital Strategy forms a critical part of strategic and financial planning, to ensure capital investment, proposals are fully justified in accordance with the strategic vision and fosters an integrated approach to the deployment of capital spend against a clear set of priorities including readiness assurance.

The Council will develop a capital strategy and ensure that robust governance arrangements are in place in 2018/19 for delivery of its rolling five year Capital Programme (including major infrastructure projects delivered in conjunction with regional Partners) to ensure initiatives that involve the direct delivery of significant infrastructure and capital investment are transparent within the Capital Programme from their inception and delivery ultimately overseen by a strategic governance board.

Procurement procedures were revised during 2017/18 to achieve transparency regarding third party activity across the Council, standardisation and efficiencies where appropriate and increase rigor in our procurement practices.

As a result of the gateways and processes introduced a number of weaknesses have surfaced in terms of procurement forward planning, contract management and understanding of procurement regulations. This area was also identified for review in the Audit plan for 2017/18.

Audit findings and responses contained in the Assurance Statements in respect of **Procurement and Contract Management** highlighted the following concerns regarding robustness of process:

- The use of waivers in the procurement of goods and services continued to be high and the waivers process was not applied consistently. It was identified that many waivers could have been avoided with effective contract planning.
- Services being procured outside of agreed framework agreements.
- Standards of contract management were found to be inconsistent across the Council.

Management actions were outlined in response to the Audit findings which aims to strengthen the Council's approach to commissioning, procurement and contract management. This included the introduction of a category management approach to procurement, a revision to the Contract Procurement regulations which includes category forward plans and whole life contract management. Implementation of this approach and its effectiveness will need to be monitored in 2018/19.

Bristol is Open (BIO) Ltd is a Joint Venture company in which both the Council and the University of Bristol own a 50% stake. BIO was established to be the vehicle for an experimental broadband, wireless and high performance computing infrastructure that will stimulate and study the convergence in cities of different telecommunication, software, hardware, data and sensing technologies. BIO is expected to oversee the research infrastructure and form commercial partnerships with large technology companies, SME's and research organisations.

An Internal Audit review of the Council's own governance arrangements in relation to BIO was undertaken early in the financial year and identified areas for development and improvement in respect of how the Council monitors the achievement of the objectives set out in the original business case and assess value for money in this high tech sector and the need for improved risk management arrangements.

The Council's performance oversight is provided by the Shareholder group and company governance has been further strengthened in more recent months with the reinstatement of shareholder meetings. A new Managing Director was appointed during the course of the year and a revised business plan is in development which will align to the strategic ambitions of both shareholders and will need to be underpinned by a financially sustainable operational plan. Work will continue in conjunction with the Shareholders to finalise any outstanding or associated commercial, legal and governance arrangements.

The turnover of BIO does not meet the materiality threshold and as such the company accounts are not consolidated within the Council's accounts.

The companies **Bristol Energy** and **Bristol Waste** are wholly owned by the Council through a company, Bristol Holding Limited.

- **Bristol Energy** is 'social' supplier of gas and electricity to domestic and business customers
- **Bristol Waste** provides recycling, waste collection, disposal and street cleansing services on behalf of the Council and because of the nature of the business the company is permitted an exemption (Teckal Company) from public procurement.

The companies produce their own accounts which are subject to independent external audit and consolidated into the Council's accounts.

An independent review was undertaken of Company Governance with recommendations agreed that will assist the Council in improving the level and effectiveness of Council oversight of the activities of those companies that it either wholly owns, or in which it has an interest. The implementation and the impact of actions taken in respect of the governance improvements identified by the review will be monitored throughout 2018/19.

The Council retained a thin client function; however it has been necessary during the course of the year to increase the capacity to oversee the contractual relationship with the companies. The appropriate size and scope of the client function going forward is under consideration.

In 2018/19 an assurance report will be provided from the companies Audit Committee for the Council's Audit Committee. The report will outline any significant risk/issues reported and the effectiveness of the internal controls. The timing and format of the report is still to be agreed.

Review of Effectiveness – Council Owned Companies

Assurance statements based on the model used by Council managers has been completed on behalf of each company to provide reassurance that governance arrangements are sound.

Each company has put in place their own governance arrangements which reflect the commercial environment within which they operate. The companies operate in accordance with agreed business plans and progress against them is monitored internally and reported to the Council's Shareholder group.

The energy market is both huge and complex and will always be punctuated by periods of shorter-term price volatility. Due to the cyclical nature of the market and the costs to serve, the investment horizon in the energy market is generally long term and **Bristol Energy** remains committed to their plan for meeting long-term growth and social value.

In 2017/18 the financial and trading environment remained challenging. Whilst Bristol Energy exceeded their target level of customer numbers, attracting more customers than predicted, the margins were lower than originally forecast. These factors in conjunction with the continued investment in business growth, innovation (such as smart metering) and our customer service which aimed to bring benefits to all customers, resulted in an increase in the net operating losses over the planning period.

The Governance arrangements have been strengthened, monthly performance reports which include operational and financial key performance indicators in addition to budget reports are presented to the Board and Shareholder group. An Audit and Risk Committee has been established and a mechanism is being considered which will ensure Audit Committee members and senior management are provided with independent, objective views on the risk and internal controls within the company. Plans are in place for the establishment of a Remuneration Committee in 2018/19.

A Risk Management framework is in place with regular review of key risks of the business reported to the Board and the Audit and Risk Committee. A Business Continuity Plan for the company is in place and was tested during the extreme weather conditions in 2017/18.

The arrangements above will support robust decision making and achieving the aim to provide a wide range of benefits to residents and local businesses, deliver positive social impacts through job creation and tackling fuel poverty.

Bristol Waste, exceeded its expected performance in the attainment of household and municipal waste recycling percentages assisting the City in achieving its statutory targets in 2020 and through improved contracts, has dramatically reduced the quantity and % of Bristol's waste being disposed of at landfill (15% for 2017/18 represents a 10% reduction on the previous year) and achieved a net surplus for 2017/18.

It has been recognised that there has been an insufficient level of Non-Executive Directors on the Board at Bristol Waste, which has impacted upon the ability to maintain effective governance arrangements in respect of Audit Committee and Remuneration Committee arrangements. There has been a significant turnover in the senior management team in a relatively short period of time but this has been mitigated by interim arrangements to ensure that operational delivery was not adversely impacted and where appropriate permanent recruitment is underway.

Bristol Waste maintains a risk matrix which is regularly reported at Board and through to the Shareholder Group this needs to be further developed to reflect a more rigorous approach to reporting of risk and realisation of opportunities. In addition to the above the evolving Business Continuity Plan is being further developed and due to be finalised in the first quarter of 2018/19.

Review of Effectiveness - Audit Arrangements

The preparation of the Annual Governance Statement has continued to be based on a robust approach whereby Managers and relevant budget holders from across the Council complete assurance statements for each of their areas acknowledging responsibility for internal control and risk management. Each of these employees have certified or otherwise their satisfaction with the arrangements in place during 2017/18. Several areas for improvement have been identified.

An external peer review of the Internal Audit service was completed in 2017/18, which concluded that the team was generally compliant with professional standards (97% fully or partially compliant). An action plan for improvement has been agreed and implementation will be monitored via the Audit Committee. Additionally, an internal review has highlighted various areas for development in order to enhance the Internal Audit service.

The Audit Committee provides independent assurance on the adequacy of the governance arrangements in the Council and has cross party representation.

The Internal Audit Team has undertaken a programme of reviews around governance arrangements, internal control and risk management arrangements at the Council.

The Committee met on six occasions during 2017/18, considering reports from the Chief Internal Auditor including the Annual Internal Audit Report, the S151 Officer, the Monitoring Officer and the External Auditor.

Overall, their opinion is that only **limited assurance** could be provided in respect of 2017/18 as detailed in the Annual Internal Audit Report.

The Annual assessments of the effectiveness of the Committee was undertaken (following CIPFA good practice guidance) to identify any areas where improvements are necessary to increase its effectiveness. Independent members were appointed during 2017/18 to strengthen the Committee.

The Audit Committee received regular reports on **counter fraud and fraud investigations** throughout 2017/18.

A review of the Council's position related to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption was reported to the Audit Committee in 2017/18. Fraud work continues to identify potential recoverable savings.

BDO is currently the Council's appointed **External Auditor**. As well as the examination of the Council's financial statements, the work of the Council's External Auditor includes an assessment of the degree to which the Council delivers value for money in the use of its resources.

In its Annual Report for 2016/17, BDO issued an unmodified true and fair opinion on the financial statements. It also made an adverse conclusion on the Council's arrangements in place for securing economy, effectiveness and efficiency in its use of resources.

The profile of the Internal Audit section has been improved via increased attendance at management team meetings and regular meetings with management. This has contributed towards an improvement in the rate of implementation of audit recommendations.

IMPROVEMENTS MADE IN 2017/18

During 2017/18, the Council has made progress in enhancing its' governance arrangements via the following:

- ✓ The Corporate Strategy has been refreshed with developments in its alignment to business and service planning
- ✓ A clear set of Council values and behaviours has been agreed, incorporated into the Corporate Strategy and communicated via training workshops.
- ✓ During the course of the year, there have been a number of internal and external reviews. All reports have been discussed in a range of forums, duly considered, management responses provided and agreed actions are being implemented and embed appropriately. Such independent external reviews of Council services, systems and processes include:
 - Registration and Elections Service;
 - Local Government Association reviews of Children's Services finances, Early Help Services, Intervention Targeted Services;
 - LGA review of Special Education Need and Disability;
 - Joint Targeted Area Inspection of the multi-agency response to Abuse and Neglect by the Council;
 - Peer Challenge on the theme of Neglect;
 - Ofsted Monitoring Inspections of every Children's Home.;
 - Governance review of Council owned companies;
 - LGA Budget Peer Review;
 - Peer Review of Internal Audit services compliance with Public Sector Standards; and
 - Future State Assessment of ICT provision.
- ✓ A review of corporate equalities practise has been initiated.

(The Corporate peer challenge that was scheduled for 2017 and postponed will now occur in Autumn 2018.)
- ✓ The work of the Urban Design and Place Shaping Teams is reviewed and challenged by external agencies such as Historic England, the Civic Society for consistency of advice and championing of good design and has been further enhanced by improving the regularity of scrutiny by the Bristol Urban Design Forum.

IMPROVEMENTS MADE IN 2017/18

- ✓ A diagnostic of Children and Adult Services was undertaken which translated into improvement plans for the services, which has included promoting improvement through the benchmarking of regional services.
- ✓ Appointment of an Independent Chair for the Strengthening Families Transformation Board to drive challenge and support in the process of transformation.
- ✓ The Council was one of only 13 local authorities in the country to secure “Earned Autonomy” status in the management of the Troubled Families Programme. This will secure additional troubled families payments to spur faster service transformation and drive high quality support to families.
- ✓ BSI accreditation has been achieved in respect of complaints handling
- ✓ There have been improvements in financial monitoring arrangements that have enabled remedial action to be taken within the year.
- ✓ There has been an increased profile of Audit across the organisation achieved by attendance and Directorate Management teams and regular meeting with management and the Implementation of audit recommendation has also shown improvement.
- ✓ Following the identification of concerns in-year, the decision pathway was reviewed towards the end of the financial year.
- ✓ There has been improved monitoring of the performance of the companies by the Council's Shareholder Group.

**Significant
Governance Issues**
(see key below for definition)

No systems of control can provide absolute assurance against material misstatement or loss. In concluding this review a number of issues have been identified that need to be addressed to ensure continuous improvement in the governance framework. Some of these, identified below, are significant and, where necessary, additional improvements have been identified in a separate internally monitored action plan.

In the 2016/17 Annual Governance Statement, 14 significant governance issues were identified for improvement. These were monitored by 22 key actions and reported regularly to the Audit Committee in 2017/18.

As at March 2018, it was reported to the Audit Committee that 23% of actions were complete and that 77% of actions were in progress.

The following represent the significant governance issues for 2017/18 and where a similar issue was reported in 2016/17, it is referred to accordingly.

Issue No.	Issue Identified
1	The Local Government and Social Care Ombudsman report into the treatment of a homeless family identified a number of recommendations to be addressed. This report was considered by Cabinet in May 18 with a further detailed action plan to be considered at a future Cabinet meeting, date to be confirmed.
2	The Multi-Agency review following the death of Mr Bijan Ebrahimi identified recommendations for the Council which require ongoing monitoring.
3	There is a need to enhance the support of the integration of health and social care by ensuring effective governance is in place in relation to delayed transfers of care.
4	A detailed review is required and plan developed which supports schools to deliver a good or improved level of education within a reduced funding envelope.
5	The Future State Assessment of ICT within the Council has recognised the need to stabilise ICT and ensure it supports transformation going forward. This should include reviewing disaster recovery arrangements.
6	Having a strong business led digital vision and strategy for the organisation will support service change and drive the organisation to delivery to citizen expectations with regards to the digitisation of services.
7	Arrangements for the Council's approach to working in partnerships have been set up with varying levels of formality. Governance and risk management arrangements are inconsistent in the absence of clearly defined governing principles. (This was reported in the 2016/17 AGS).
8	Risk Management processes need to be consistently applied in order to embed risk management across the Council. (This was reported in the 2016/17 AGS).

9	There has been significant slippage in delivery of key capital projects in line with the agreed capital programme. (This was reported in the 2016/17 AGS)
10	Audit reviews and responses in the Assurance Statements identified weaknesses in the consistency of contract management arrangements and also the use of contract waivers continues to be high and reflects the need for improved contract planning have been identified by both. (This was reported in the 2016/17 AGS)
11	It has been identified that there is a need for the member development programme to focus on members' core skills, community leadership and decision making roles. (This was reported in the 2016/17 AGS).
12	Performance management of our employees has been inconsistent with only 42% having registered completed performance reviews. (This was reported in the 2016/17 AGS)

Actions taken to address these Significant Governance Issues will be reported to the Audit Committee in 2018/19.

Key – Significant Governance Criteria:

The criteria for "significant governance" are issues/ areas which:

- Seriously prejudiced or prevented achievement of a principle objective;
- Resulted in the need to seek additional funding to allow it to be resolved;
- Required a significant diversion of resources;
- Had a material impact on the accounts;
- Resulted in significant public interest or has seriously damaged reputation;
- Resulted in formal actions being taken by the Chief Financial Officer or Monitoring Officer;
- Received significant adverse commentary in external inspection reports that has not been able to be addressed in a timely manner.

Statement of Commitment

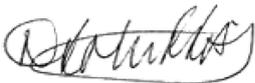
Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people of Bristol, in an inclusive and open way. It requires standards of behaviour that support good decision making, collective responsibility, individual integrity, openness and honesty. It is fundamental to showing public money is well spent and without good governance the Council will struggle to improve services.

From the review, self-assessments, work undertaken and on-going monitoring supported by the work of Internal Audit, we have reached the opinion that a number of key systems are not operating soundly and that there remains a need for improvement.

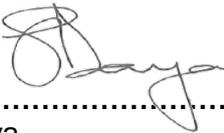
An action plan has been outlined in this report which takes steps to address the need for improvements that has been identified in our review of effectiveness. However as part of our commitment to further strengthen governance, local accountability and to explore how effectively we are delivering services, the Council will take part in a Corporate Peer Challenge in September 2018 organised by the Local Government Association.

This was originally scheduled for 2017 but was postponed due to the Grenfell Tower tragedy. This provides us with an invaluable opportunity to provide an external perspective and 'baseline' for the Council in terms of our current position. Furthermore, the challenge will explore how the Council can best achieve its strategic ambitions and plans for the future and use the organisational values as key references points to guide the teams work.

We are satisfied that these steps will address the need for improvements and strengthen the governance arrangements in place for identifying governance issues and taking mitigating action. We will monitor their implementation and operation over the coming year through the Corporate Risk Register, Directorate Service and operational plans as required and Statutory Policy Board. In addition during the year the Audit Committee will monitor progress against the issues identified in this statement.



Signed:.....
Denise Murray
Chief Finance Officer (S151 Officer)



Signed:.....
Shahzia Daya
Monitoring Officer



Signed:.....
Jacqui Jensen
Acting Head of Paid Service



Signed:.....
Marvin Rees
Elected Mayor of Bristol