

**Report of the Director of Finance to the meeting of the Governance and Audit Committee on
26 June 2015**

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Subject: Annual Governance Statement 2014-15

Summary statement:

This report sets out the requirement to conduct the annual review of the effectiveness of the Council's governance framework and system of internal control. It reports the conclusions of that review and produces the Annual Governance Statement for 2014-15 to accompany the Council's Statement of Accounts.

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1.0 Summary

1.1 This report sets out the requirement to conduct the annual review of the effectiveness of the Council's governance framework and system of internal control. It reports the conclusions of that review and produces the Annual Governance Statement for 2014-15 to accompany the Council's Statement of Accounts.

2.0 Background

2.1 In order to meet the statutory requirements set out in the Statement of Accounts and Audit (England) Regulations 2011 it is necessary for the Council to conduct a review of the effectiveness of its governance framework and system of internal control at least once in a year.

2.2 On completion of the review, the Council is required to prepare and publish an 'Annual Governance Statement', in accordance with the guidance contained in the CIPFA/Solace framework 'Delivering Good Governance in Local Government'.

2.3 The Statement must be approved by Members and signed by the Chief Executive and a Leading Member.

2.4 The Annual Governance Statement is no longer part of the Statement of Accounts but "accompanies" the Accounts, although in practice Authorities have discretion to publish the documents separately or together.

3.0 The Annual Review

3.1 The Annual Review is undertaken against the principles contained in the CIPFA/Solace framework – Delivering Good Governance in Local Government. The Council is required to consider the effectiveness of its current arrangements and:

- Assess the extent to which it complies with the principles and requirements of good governance
- Identify systems, processes and documentation that provide evidence of compliance
- Identify and ensure individuals and committees hold responsibility for governance arrangements and their ongoing application and effectiveness
- Identify issues that have not been addressed adequately and any planned changes required in the future
- Prepare an action plan, identifying any individuals responsible for taking any changes forward

3.2 The Annual Review is undertaken by the Director of Finance as S151 Officer. In conducting the review, reliance is placed upon six main sources of evidence.

- The Constitution of the Council
- The adequacy of management actions in relation to key risks as identified in the corporate risk register
- Evidence from the regular monitoring and reporting to the Executive and Scrutiny Committee's on performance, risk and finance issues
- Key Control and fraud risk self assessments supporting written confirmation from Strategic Directors that all reasonable steps have been taken to ensure compliance with established policies, procedures, laws and regulations.
- The reports of Internal Audit
- External Audit and other external inspection agencies.

External Audit in particular provided the Council with an independent assessment of the way in which the Council conducts its business, safeguards and properly accounts for public money. It reports regularly to Members of the Governance and Audit Committee.

4.0 Conclusion of the Annual Review for 2014-15

- 4.1 The Annual Review has confirmed that the Council has arrangements in place that provide a sound governance framework and system of internal control.
- 4.2 The overall governance arrangements are represented by the Constitution of the Council, associated detailed procedures and codes of practice which are annually reviewed by the Governance and Audit Committee.
- 4.3 The overall adequacy and effectiveness of the Council's internal control environment is reviewed on a continual basis by Internal Audit. Monitoring reports throughout the year have examined the controls in operation and working effectively in any year. A number of operational internal control issues are identified. These are addressed through a series of recommendations agreed by senior management and subsequently implemented.
- 4.4 External Audit undertake a programme of work during the year covering areas such as value for money and internal control. Details are contained within the Audit Strategy Memorandum, regular progress reports and the publication of the Audit Completion Report. The results of this work have been taken into account when determining the measure of risk to the Council.
- 4.5 Action plans for improvement are devised and implemented in response to External Audit recommendations.
- 4.6 The Council adopts a process of risk management and departmental and corporate risk registers are maintained and reviewed on a regular basis.

5. 2014-15 Specific Governance Issues

- 5.1 A number of governance challenges previously recognised by the Council have been resolved or progressed during the year. These are explored in greater depth in the accompanying Annual Governance Statement, presented in full at Appendix 1.

6. The following new or continuing governance challenges have been identified from the annual review -

- 6.1 The Council reviews the governance arrangements of its major risks through reports either to Council, the Executive, Governance and Audit Committee, Standards Committee and Scrutiny arrangements. This occurs on a continuing basis. The Council will focus on the following risks in 2015/16, a number of which have been identified in the forward plans and work objectives of the respective committees
 - 1) Agreeing an operating and financial plan in the context of the intractable tensions between resources, expectations of citizens and service users, and the statutory framework
 - 2) Improving educational attainment
 - 3) Safeguarding vulnerable children
 - 4) Mitigating the effects of a loss of experience and expertise arising from staff reductions, especially where loss of such resource impacts on the management of services protecting vulnerable people.
 - 5) Developing new and affordable models of care within the governance arrangements that exist across the health and social care system
 - 6) Establishing sound governance structures pertaining to the West Yorkshire Combined Authority ensuring democratic accountability at the local level.
 - 7) Impact on governance structures arising from developing policies for the delivery of regional devolution.

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- 8) Ensuring that the Council's risk management strategy and practice is effectively embedded and reflects the dynamic risk environment faced by the Council.

7.0 Arrangements with the West Yorkshire Pension Fund

7.1 The Council is also responsible for the financial and management arrangements of the West Yorkshire Pension Fund and a separate assessment of the adequacy of these arrangements is also required. The following internal arrangements are in place to provide the Council with the necessary assurance.

- The West Yorkshire Pension Fund has adopted the Council approved approach to risk management
- Risk registers are maintained and management action plans (MAPs) are in place for risks assessed as requiring active management
- Risks are monitored and MAPs reassessed regularly
- Risk management is reviewed quarterly
- A risk management report is submitted annually to the WYPF Joint Advisory Group.

There are not expected to be any issues arising from the annual report and review to be submitted to the Joint Advisory Group meeting in July 2015.

8.0 Financial and Resources appraisal

8.1 There are no direct financial implications arising from this report however any governance issues arising now or in the future, which need further strengthening will require appropriate action to be taken. Officer time will be required to formulate action plans and putting into place the appropriate corrective arrangements to strengthen the governance framework.

9.0 Risk Management

9.1 Risk management issues are referred to in the report and annual governance statement where appropriate.

10.0 Legal appraisal

10.1 With effect from 2007/08 the CIPFA/Solace framework 'Delivering Good Governance in Local Government' defines proper practices for the production of a governance statement that meets the requirements of the Statement of Accounts and Audit (England) Regulations 2011. The Annual Governance statement must be signed by the Chief Executive and a leading member. before it is incorporated into the Statement of Accounts.

11.0 Other Implications

11.1 Equal rights Implications

There are no direct equal rights implications

11.2 Sustainability Implications

There are no direct sustainability implications

11.3 Community Safety Implications

There are no direct community safety implications

11.4 Human Rights Act

There are no direct human rights implications.

11.5 Trade Union

There are no direct trade union implications

11.6 Greenhouse Gas Emissions Impacts

None

11.7 Ward Implications

None

12.0 Not for publication documents - None

13.0 Recommendations

13.1 That the Governance and Audit Committee authorise the Leader of the Council and the Chief Executive to sign the document, on behalf of the Council, to accompany the Statement of Accounts 2014-15.

14.0 Appendix 1: Annual Governance Statement 2014-15

15.0 Background documents

Statement of Accounts and Audit (England) Regulations 2011

CIPFA/Solace Delivering Good Governance in Local Government Framework

Statement of Accounts

ANNUAL GOVERNANCE STATEMENT 2014-15

1. Scope and Purpose

1.1 Scope of Responsibility

The City of Bradford Metropolitan District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging its overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, as well as arrangements for the management of risk.

1.2 The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the Council and its partners are directed and controlled and those activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The framework has continued in place at the Council for the year ended 31 March 2015 and up to the date of approval of the statement of accounts. Whilst supporting the Council's arrangements for risk management, it cannot eliminate all risk to the achievement of policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

2. The Governance Framework.

The systems and processes that comprise the Council's governance comprise the following key elements:

2.1 Code of Corporate Governance.

The Council has approved and adopted a code of corporate governance which is consistent with and founded on the six core principles of the CIPFA/SOLACE framework "Delivering Good Governance in Local Government" –

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

2.2 The Constitution of the Council

The Constitution, reviewed at Annual Council, provides the framework within which the Executive takes decisions in discharge of the Council's functions, subject to the examination of a number of Overview and Scrutiny Committees. The Executive is collectively responsible for the decisions it makes and its decision making arrangements are designed to be open, transparent and accountable to local people.

2.3 Identification and communication of a clear vision of the Council's purpose, its shared priorities with its partners and intended outcomes for citizens and service users.

The Council has recently conducted a review of its purpose which sets out the Council's role in contributing to the overarching district vision and feeds into other corporate agendas. That purpose is to work with people and partners for a healthier, caring, more prosperous and sustainable Bradford District. The Council has also confirmed its commitment to its core values, which will be emphasised in further staff development programmes to ensure all staff apply them to their work.

In developing a response to the increased budgetary pressures created by reduced resources and increased demand, the Council has identified five key outcomes:

1. Better Skills More Jobs and a Growing Economy
2. Good Schools and a Great Start for All Our Children
3. Better Health, Better Lives
4. Safe, Clean and Active Communities
5. Decent homes that people can afford to live in.

These outcomes have been agreed by Executive members and shared with area committees and corporate overview and scrutiny committee, as well as Bradford District Partnership board and strategic partnerships. Further partner engagement to ensure support and commitment is currently being progressed via a series of workshops planned for June / July 2015.

2.4 Review of the Council's vision and implications for its governance arrangements.

In addition to the review of its purpose, the work undertaken in developing the Council's New Deal has identified seven principles to shape the nature of the Council's transformation:

1. Enabling Community Leadership
2. Integrated Local State
3. Reducing Demand, Changing Expectations and Behaviour
4. Investing in Prevention and Early Intervention
5. Reducing Inequalities and Tackling Poverty
6. Subsidiarity
7. Productivity and Value for Money

These principles have also been agreed by Executive members and shared with area committees, corporate overview and scrutiny committee, Bradford District Partnership board and strategic partnerships.

Key messages have been developed to ensure consistent communication with citizens. A communications strategy has been produced and is currently being delivered. This will align with subsequent budget communications where specific service delivery proposals will be shared with the public and service users in advance of consideration for approval.

Delivery of transformational priorities is supported by the Medium Term Financial Strategy which serves also to guide departmental/service plans and support the Corporate Management Team's day to day management of the business.

All change activity arising from planning and budgetary decisions is controlled using programme and project management which provides the mechanism for Departmental and Corporate leaders to deliver Executive decisions.

2.5 Business continuity management.

The Council is committed to providing for business continuity, as detailed in the Civil Contingencies Act 2004, to ensure it can provide all its key functions in the event of an emergency or disruption, so far as is practicable. Assistant Directors lead on business continuity planning within their service areas. The Emergency Management Team has put in place the policy and framework which sets out the Council's approach to business continuity management.

2.6 Measuring the quality of services for users, ensuring services are delivered in accordance with the Council's objectives and represent the best use of resources.

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- The Council uses corporate and departmental service level performance measures to report and manage service delivery.
 - The Annual and Mid-year Finance and Outturn Performance Reports, and Quarterly Financial Monitoring Reports, present to the Executive and Corporate Overview & Scrutiny the current and forecast position on performance and finance in relation to the Council's activities. The report sets out the key areas of progress, the key issues, areas for continued attention in relation to the Council's corporate priorities and actions to address any areas of underperformance.
 - The Council now has a well established way of measuring productivity and financial activity data to ensure that it is using its resources efficiently and providing value for money.
 - A set of Corporate Indicators is in place that focuses on key Council priorities. The Corporate Performance Framework is revised in line with the changes to our performance arrangements. Performance will continue to be monitored through Departmental Management Teams, CMT, Council's Policy Programmes and Change Service within the Chief Executive's department, Executive and Overview & Scrutiny Committees.
 - There are service specific customer feedback and user engagement mechanisms in place, and user-specific engagement methodologies such as Learning Disabilities Partnership and Easier Access events that allow the Council systematically to gather customer insight.
 - The Council continues to face significant budgets cuts and a rising demand for services. In order to help effect the future shape of the Council, it and its partners have invested in a wide ranging programme of consultation and engagement. The Council continues to use a range of tools to secure value for money, which are continuously developed. They include, for example, improved procurement processes, benchmarking, finance and activity costing, competitive tendering, external peer review, business case appraisals, investment models, contract mechanisms and pricing regimes.
 - Additionally the Council's system of internal control is designed to support effective and efficient use of resources.

2.7 Defining the roles and responsibilities of the Executive, the non-executive, scrutiny and officer functions including clear delegation arrangements and protocols for effective communication.

- A clear statement of the respective roles and responsibilities of the Executive, the members and senior officers including delegation arrangements and protocols for effective communication of committee decisions, can be found in the Council's constitution.
- In addition, the Council's financial management arrangements conform with the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government 2010"
- Job descriptions and personnel specifications for all senior officers detail their key responsibilities.

2.8 Embedding and communicating codes of conduct defining the standards of behaviour for members and staff across the organisation.

The Council has approved a Code of Conduct for Elected Members and a procedure for dealing with complaints. In addition, the Standards Committee's role was retained to have responsibility for overseeing the operation of the Code and for promoting high standards of conduct.

In addition, the Council's Constitution establishes:-

- A protocol on member-officer relations providing rules and guidance for members, co-opted members and officers in their working relations.
- Protocols for members on gifts and hospitality and members use of Council resources including the use of email and the internet.
- Members and officers have been provided with guidance on the framework within which they are required to undertake their different roles.
- A code of conduct for employees of the Council.

2.9 Standing orders, standing financial instructions, a scheme of delegation and documented supporting procedures and strategies which clearly define how decisions are taken and how the processes and controls required to manage risks are implemented.

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- Council standing orders for contracts and financial regulations are contained in the Constitution of the Council. They are subject to annual review by officers before approval at the Governance and Audit Committee and adoption by full Council at the annual meeting.
 - Key control booklets are maintained by Internal Audit, updated as required and placed on the Council's intranet.
 - A scheme of delegation is provided in the Council's constitution.
 - Additionally the Council has 6 Overview and Scrutiny Committees which are required to contribute to the better decision making of the council, and secure continuous improvement in service delivery
 - Area Committees enable local communities to participate in Council activities
 - The Council has adopted a Risk Management Strategy and maintains both corporate and service risk registers which identify actions required to mitigate any risks identified. The registers are regularly maintained, reviewed and updated. In 2015-16 further work on risk management will be required to establish the appropriate reporting structure.
 - Risk management training is standard within project management and at particular key stages of project implementation.

2.10 Arrangements to ensure compliance with relevant laws and regulations, internal policies and procedures, that expenditure is lawful and an anti fraud and corruption strategy, all monitored by the Governance and Audit Committee.

- The Council's Monitoring Officer is required to maintain an up to date version of the Constitution and to make amendments and/or improvements as necessary to take account of changes in legislation, guidance, Council policy, decisions of the Council and the Executive.
- The Monitoring Officer, following consultation with the Chief Executive and the Section 151 Officer, is required to report to the Executive if he/she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. To assist the Monitoring Officer in this role, Legal Services monitor new legislation and disseminate this information to service departments.
- The Section 151 Officer is similarly required to report to the Executive and the Council's External Auditor if he considers that any proposal, decision or course of action will involve incurring unlawful expenditure, or is likely to cause a loss or deficit.
- Each Strategic Director and the Chief Executive are required to confirm in an annual letter to the Section 151 officer that they have taken reasonable steps to ensure compliance with established policies, procedures, laws and regulations, including how risk management is embedded in the Departments. This is underpinned by performing the key control and fraud risk self assessments and levels of non compliance are duly considered.
- The Council has a Counter Fraud Policy and Strategy to protect public funds by actively seeking to deter and prevent fraud, corruption and theft and ensure that all possible risks are minimised.
- The reports of Internal and External auditors consider and inform compliance with regulations, policies and procedures.
- The Council has established internal control procedures designed to support compliance with established policies, practices, laws and regulations and to safeguard the Council's assets and interests from loss
- All reports to Executive must be cleared by a member of the Council's Management Team, the Monitoring Officer and the Director of Finance.

2.11 Information governance arrangements

- A separate and independent information security team supports the Senior Information Risk Owner (SIRO) to discharge his responsibilities in championing an information security culture, establishing policy, practice, process, training, knowledge and technology, and assessing the effectiveness of those arrangements.
- The SIRO is supported by a distributed network of Information Asset Owners (at Assistant Director level) who in turn are supported by department and or system-specific information security managers
- The Bradford team liaises closely with peer function in other public bodies in West Yorkshire and beyond, and with the Information Commissioner's Office (ICO)

2.12 Arrangements supporting whistle blowing and for receiving and investigating complaints from the public.

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- The Council has a whistle blowing policy embodied in the Confidential Reporting Code for Employees. This can be accessed on the Council's web site.
 - Under the Articles of the Constitution, the Governance and Audit Committee has a function to consider the effectiveness of the control environment and associated anti-fraud and anti-corruption arrangements.
 - The Section 151 Officer has dedicated resources to undertake independent investigations and report on allegations of impropriety.
 - The Council has a formal 'Comments, Complaints and Compliments' procedure on the "Contact us" section of the Council's website. All members of the public have the right to complain to the Council in writing, by telephone or by speaking to a member of staff.

2.13 Developing the needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

- The Council is committed to supporting members in undertaking their varied and evolving roles and responsibilities. A Member Learning and Development Strategy is in place supported by a Member Development Programme which is run on a quarterly basis by the Human Resources Department.
- The Strategy introduces the key learning and development aims and objectives. It also identifies actions that will be taken to ensure all councillors have access to learning and development opportunities appropriate to their needs. The aim of this is to help councillors carry out their roles efficiently and effectively.
- The Council recognises that alongside members, employees are an important resource - the development of the two goes hand in hand. The Council's talent management provides a focus on effective workforce planning and development, embracing leadership and skills training for all staff.

2.14 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging dialogue.

- The Council has five Area committees to encourage community engagement and participation.
- A principal form of securing dialogue with communities is by establishing and operating neighbourhood and ward forums.
- The Council supports a process of engagement with the District's communities of interests that complements our place based structures.
- Overview and scrutiny arrangements provide for meetings to be open to the public, except where confidential information or exempt information is likely to be disclosed.
- The Council's website and App provide a communication and wide ranging information link.
- The Council provides information and news using social media.
- The Council's Contact Centre and face to face Customer Service Centres provide easy access to Council services and information.
- An extensive programme of consultation on the annual budget generated considerable engagement and input into the establishment of the Council's budget priorities.
- An initial phase of consultation around the "New Deal" has focused upon raising awareness of the financial and demand challenges facing the district, confirming what matters most to local people and exploring public expectations and aspirations for involvement in future delivery.
- Equality Impact Assessments were developed as part of the Council's budget setting process. These will be reviewed and updated as changes and recommendations arise.
- The Annual Statement of Accounts provides a report on the Council's financial activities for the year.
- Publications, media, including social media, the Council's website. App and other publicity arrangements provide communication channels with the district's citizens.
- Financial information, including details of efficiency savings, is issued with Council Tax bills.
- The Council has published a contracts register (which will be updated quarterly) and a grants register (which will be updated annually) in accordance with the Local Government Transparency Code.

2.15 Incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the Council's overall governance arrangements.

- The role of the Governance and Audit Committee includes maintaining an overview of the Council's partnership arrangements and overseeing any action plans for improvement arising, for example, from inspection reports.
- The Council has an agreed approach to collective bargaining with the recognised Trade Unions. This is undertaken through consultation and negotiation and is enshrined within the Council's Industrial

Relations Framework. The Council takes a partnership approach to Industrial Relations, using the Industrial Relations Framework. This includes regular informal discussions between trade unions and management & formal OJC meetings at all levels across the Council - L1 (Corporate), L2 (Departmental) & L3 (Service). Bradford has benefitted from constructive industrial relations, particularly with regard to the agreement of the new equality proof pay structure and a joint approach to updating collective agreements with Council and Teachers Trade Unions.

- Bradford District Partnership (BDP), as the Local Strategic Partner for the area, ensures that the governance arrangements of the family of partnerships function well, in order to support the delivery of the Bradford District Strategy. The BDP reports to the Governance & Audit Committee on governance and functional business matters and to Overview and Scrutiny Committees on topic based performance and delivery.
- The Schools Forum is effective as the place where resource allocation decisions are made between the Council and the District's schools
- To support the Health and Wellbeing Board, governance arrangements for senior leaders and managers in the health and social care economy have been established to oversee the development of integrated health and social care models, and to ensure oversight of the whole system of public and personal health and social care

3. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment. Confirmations have been obtained from Strategic Directors and the Chief Executive that reasonable steps have been taken to ensure compliance with established policies, procedures, laws and regulations. They have been asked to confirm that risk management is embedded in their departments, provide a fraud risk assessment and to report, on a three year rolling programme, the level of compliance with key controls that are set out in the Key Control Booklets.

The Council has in place a Governance and Audit Committee, independent of the Executive, to strengthen and consolidate its governance arrangements and provide the core functions as identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities".

The review is informed also by the work of the Internal Audit section which covers both the Council and the West Yorkshire Pension Fund. The key areas of assurance relate to the work detailed in their monitoring reports on the Council's control environment which are reported at regular intervals to Governance and Audit Committee. The Head of Internal Audit is required to deliver an annual Internal Audit Opinion and report regularly to the Governance and Audit Committee as prescribed in the Public Sector Internal Audit standards. A number of operational control issues have been identified from this and action is being taken to put improvements in place.

Action plans for improvement are devised and implemented in response to recommendations from External Audit and other statutory agencies and inspectors.

The Council liaises fully and promptly with the Local Government Ombudsman's enquiries into complaints against the Council.

The Council liaises closely with the Information Commissioner's Office in reporting and closing information security risks and incidents, and to ensure it discharges fully its duties under Data Protection legislation and policies.

4. Significant governance issues

The annual review has established that the Council has arrangements in place which provide a sound governance framework and system of internal control. However the Council is not complacent and seeks to continually improve the arrangements it has in place. Whilst recognising improvements to date, the emphasis going forward is to address identified issues and put in place an improvement plan to address known areas of concern. The Governance and Audit Committee will be kept informed of progress.

In the 2013/14 Annual Governance Statement a number of specific risks were identified that have been monitored through the year. Progress on these was reported to the Governance and Audit Committee in a detailed public report on the 23rd January. The following sections give a brief update on these risks. Whilst some of these risks have been mitigated during the 2014/15 financial year a number of risks are continuing to be monitored and remain high profile in 2015/16.

5. Governance challenges previously recognised and concluded during the year

5.1 Children and Families Act

A new single family court called 'The Family Court at Leeds' is now embedded. The applications to court are immediately screened by the court staff and directed to magistrates or Judges depending on the complexity of the case. There are regular meetings between the courts, judiciary, Legal and Children's Services to ensure that the process is running smoothly. Bradford remains within the statutory 26 week time limit for care proceedings through tight oversight by a dedicated officer of the Council

There are new duties on local authorities to former foster children – this duty is for Councils to provide continued foster care to young people post 18 to the age of 21. The scheme is called 'Staying Put' and requires us to fund continuing care after young people reach adulthood. Forty young people are being supported and there is inadequate central government funding for the new duties. However this is currently being met and managed with existing budget allocation to the leaving care service.

Placing for adoption – there has been significant investment through the Adoption Reform Grant over the last two years to speed up and improve the adoption process for children. The aim was to reduce the number of children waiting for adoption and in Bradford there are no children waiting for a family.

Reform of special educational needs – good progress has been made and major changes implemented. All Councils have to publish a 'Local Offer' for children and families with a disabled child. Parents and young people have designed, tested and launched the Local Offer website for Bradford. It is rated highly by the Department for Education. It can be accessed here: <http://localoffer.bradford.gov.uk/>. Statements of Special Educational Needs are being phased out and converted to Education Health and Care Plans, this is requiring additional resource to undertake the work and Government funding is being used to recruit temporary staff. There is a new assessment and care plan process in place.

5.2 Reorganisation of Children's Centres

A Project Board, including officers of the Council and trades union representatives was set up to consider the implications following statutory consultation. A paper was taken to the Council Executive, outlining the need to move from 41 children's centres to 7 clusters offering children's centre services. The Executive's decision was subject to call in. Following a debate at Overview & Scrutiny Committee, revised proposals were agreed by the Executive on 2 December 2014.

One cluster, operated by the Local Authority, is planned to commence operations on 1st July 2015. Three other clusters, to be secured through a tendering process, are to be managed by nursery schools (this was open to all schools who presently run centres but only nursery schools have indicated an interest). It is planned that these clusters will begin operation 1st September 2015. The three remaining clusters will be open to procurement, date to be confirmed.

Budget estimates have taken note of the delayed timescales (from the anticipated 1 April 2015 date of operation) and contingency plans have been put in place to manage the budget short-fall.

The Project Group, with support from Human Resources and Legal Services, is working on the personnel and HR issues relating to transfer of staff including TUPE of some staff to (potentially) new external employers within the clusters. Meetings have been arranged across the District for children's centre managers, staff and head teachers. Consultation meetings with unions and staff on new structures for the 3 clusters to be secured through a tendering process, are planned to commence early June

Work of the Project Group with Estates Department is focusing on securing existing buildings as future service delivery venues. Analysis work is being carried out on buildings used to provide children's centre activities, but not owned by the Council. This is to minimise the effect of any capital resource claw back from DfE and to ensure availability of suitable delivery venues. Successfully securing external premises is proving complex and is being closely monitored by the Project Board.

Regular reports on progress are submitted to Children & Young People's Overview and Scrutiny Committee.

5.3 Uncertainties about the sustainability of the wider public sector potentially having a direct/indirect impact on Bradford

With minimal influence over how funding reductions applied to other public sector organisations impact on the citizens of the District, the Council's priority is to manage the impact through formal governance arrangements such as the Health and Social Care Integrated Change Board, the Health and Well Being Board and the Bradford Safeguarding Children Board. Regular meetings of West Yorkshire Leaders, Chief Executives and Director of Finance provide a forum to discuss with peers in other public sector organisations the potential impact of cumulative cuts in funding across the District.

5.4 Implementation and effectiveness of the devolution of budgets to Area Committees

The remaining challenges or risks related to :-

Devolution of community development and core costs

Community development and core cost grants have been allocated within the overall framework of Area Committees and devolved services. Ward Officers are now playing a more proactive role in the monitoring of outcomes and this will help to inform and support future decisions on the allocation of funding. The officers responsible for the allocation of funding through the Area Committees have sought advice and guidance from Council support services, including Internal Audit and Commissioning and Procurement.

Transfer of management for Youth Service

The transfer of management of the Youth Service has created the need for training and support and practical changes to some working practice to ensure the safe and effective delivery of the Service, particularly in relation to areas such as safeguarding. In order to reduce the risk and ensure that youth services are delivered as a 'single service' whilst being devolved to constituency areas, a lead post has been retained in Children's Services that works closely with the Area Coordinators. This has proved invaluable in ensuring knowledge transfer and coordination of some central services e.g. youth service building review, district youth offer.

5.5 Integration of Health and Social Care

Integration of the Health and Social Care System continues to be overseen by the Health and Well Being Board and the Integration Change Board (ICB). New Models of Care are progressing well in the Airedale, Wharfedale and Craven Clinical Commissioning Group (CCG) area. New Models of Care for the Bradford City and Districts CCG's are under development. Key areas of integration across the Bradford District and Craven footprint have been agreed by ICB and will progress over the coming year.

The Bradford Better Care Plan is now in its implementation phase with a range of integrated services being expanded across the District to support the overarching plan for integration.

5.6 Care Act 2014

The Care Act 2014 came into effect on the 1st April 2015, the Adult and Community Services Directorate have put in place the necessary changes required to meet the new duties and responsibilities contained therein. The Act is to be implemented in two phases with the second due for 1st April 2016. At present Government is consulting on draft regulations and we await the final statutory regulations. The Directorate has in place a programme of activity linked to the Adults Transformation Programme to develop and implement the proposed changes for April 2016.

5.7 EU Procurement

The Public Contracts Regulations 2015 came into force on 26 February 2015. Staff within Commissioning and Procurement Service have been made aware of the content of the 2015 Regulations and the accompanying Statutory Guidance.

We are in the process of updating our standard procurement documents to reflect the new regulations. A training programme will then be delivered to explain the changes in the standard documents and the detail of the changes introduced by the new Regulations.

Though we continue to make improvements (through continuing education, training and structural management changes), further work is proceeding to ensure the implementation of good procurement practice across all areas of Council spend.

5.8 Delivery of the transparency agenda

The Local Government Transparency Code was published by the Department for Communities and Local Government in May 2014 and was passed through Parliament in September 2014.

The following information must be published annually:

- Local Authority Land
- Grants to Voluntary organisations, community and social enterprises
- Organisational Chart
- Trade Union facility time
- Parking revenues
- Controlled parking spaces
- Senior salaries (employee banding, salaries greater than £50,000)
- Constitution
- Pay multiple (pay policy, pay dispersion etc)

The first quarterly information was published by the deadline of 31st December 2014. The data must be published in an open format so that it can be used for commercial and research purposes. The Code also recommends publication of other data, generally expenditure and procurement information, at lower financial thresholds. The information we have been able to publish is detailed and extensive but although not quite complete, we continue to work to put in place systems which will improve the completeness and accuracy of our published information. Most other local authorities within the region have had similar difficulties.

6. Governance Challenges which require continuing review in 2015/16

6.1 Information Governance

Information Asset Owners (Assistant Directors) have responsibility for their Departmental data assets and to provide written input to the SIRO annually on the security and use of these assets. It is essential for IAO's to continue to contribute to the culture change that has taken place across the organisation, advocating the use of privacy impact assessments and data sharing agreements where necessary.

The Information Assurance Operational Network holds bi-monthly meetings, consisting of IA Administrators, to support the IA Owners to meet their responsibilities. Comprehensive policy and guidance has been developed and a scheduled review was undertaken in April 2015. Compulsory e-learning has been updated, staff receive a link to the training via annual email. Non-compulsory face to face training has been introduced aimed at Managers of staff without access to email.

Procedures are well established for responding to security incidents, Freedom of Information requests, Environmental Information Regulations and Data Protection issues. The Authority will be undergoing an audit by the ICO in December 2015 for which the Council is already preparing.

6.2 Budgetary Reductions

The approach to managing this challenge is set out in the Medium Term Financial Strategy (MTFS) as reported to Executive on 22nd July 2014.

Briefly, the approach to deliver the MTFS will involve a combination of the following -

- Making difficult decisions on what services the Council can afford to provide based on statutory requirements and those that have the greatest impact for the District
- Transforming service delivery to maximise the potential of all the District's assets, Council, other public sector bodies, the private sector or within the community, and exploring creative and innovative ways of delivering services and using resources
- Managing and reducing demand for services through changing citizens' behaviour
- Changing public expectations about the level and scope of Service they can expect from the Council and the role they can play in helping each other achieve positive results in their communities
- Ensuring resources are deployed to:
 - achieve an appropriate balance of preventative and reactive services
 - ensure the Council can operate effectively at neighbourhood, District and regional level
 - maintain cost-effective partnerships, through pooling resources and collaborating with various organisations in the District
 - protect frontline services
 - achieve the right-size corporate and support services
 - reduce the cost of external borrowing in line with funding reductions
 - prioritise investment in economic growth and skills in order to reduce pressure on public services and grow both the Council Tax and Business Rates tax bases
 - balance recurrent and non-recurrent expenditure, to ensure that investment in capital and in revenue priorities is commensurate with strategic objectives and that Council's assets are usefully deployed.
- Making sure value for money, sustainability, efficiency gains and the effectiveness of resource allocations can be demonstrated across the Council services, partnerships and commissioned service delivery; and that mechanisms are in place by which performance against these can be measured and managed.
- Having in place a robust performance management arrangement which provides an increasingly sophisticated understanding of performance against district wide and local priorities set within the context of the financial outlook.
- Engaging with people, businesses and partners on the New Deal programme to shape the future of the Council and its role.

6.3 Management of Ofsted outcomes

A project board, the LA Ofsted Core Group, has been in place for the last 15 months. The group is chaired by the Assistant Director (AD), Education School Improvement. Membership is made up of the AD Access and Inclusion, the Head of Bradford Achievement Service, School Governance and Workforce Development Manager, School Improvement Performance Data Manager, Business Advisor, Schools, Senior Primary Partnership Officer, Secondary Partnership Operations Director, 14-19 Lead Officer, Funding and Sufficiency, Strategy Lead of Vulnerable Groups and the Early Childhood Services Manager, with a project manager (Quality Manager) and, latterly, a member of the Education Communications Team.

The role of the LA Ofsted Core Group is to prepare for all aspects of the inspection and to participate in the inspection itself. The Group has produced and revised the LA's Self Evaluation document, engaged stakeholders who will be involved in the inspection, produced a communications plan, domestic plan and a programme for the inspection. It has also drafted an LA presentation for the first day of the inspection and produced a set of documents for use during the inspection (the inspector pack).

Our self-evaluation is regularly updated in order to capture the latest data and to develop our responses to issues. We have been involved in a peer review of our education functions. This involved three other LAs. The self-evaluation has been shared with senior elected members.

We commissioned an external review from Professor David Woods, a leading educational expert to test the robustness of our current school improvement arrangements. This work involved scrutiny of our self-evaluation document which was deemed to be fit for purpose. Some suggestions were made about the layout of the document to improve the focus on what actions have been implemented to improve outcomes, where these were deemed to require improvement.

As a result of this review, proposals are being considered for changing the arrangements for the school improvement service in Bradford. There is a strong development which will lead to a school led system with the LA becoming a commissioner rather than deliverer. This work is in partnership with the teaching schools and all school partnerships. Key performance indicators have been agreed, roles and responsibilities have also been agreed and accountability for the raising of standards is being shared between the 3 partners (teaching schools, partnerships and LA).

The LA Ofsted Core Group continues to meet monthly and to keep all documentation under review. We continue to add to our library of case studies which exemplify the work we are undertaking.

We are responding to the recommendations contained in the external review of our education functions.

We continue to communicate with the key stakeholders through Bradford Schools Online, through the Partnership Priorities and Joint Working Board, through strategic engagement meetings with head teachers, Achievement Officer visits and via Notepad, briefing notes and emails to governors, for example about changes to the inspection framework, engagement in the process, about our Education Improvement Strategy and our key priorities and targets.

A review of governance arrangements is under consideration with the establishment of an education and commissioning board, it is proposed that this board would be responsible for the targeting of school improvement activity to improve the outcome of all our schools. This work would be undertaken within a commissioning framework having clear outcomes for the delivery of standards across the district.

6.4 Child Safeguarding

Referrals to children's social care have increased by 20% over the last year and the number of children on child protection plans had also significantly risen from 370 to nearly 700. Although the number of referrals and case conferences remain higher than usual the number of children on plans has started to slow and reduce, it currently stands at 530. This means that plans are being worked quickly and effectively to the point where the risk has been addressed in the community or children are taken into care.

The continuing risks from increased demand are being managed by the Council and overseen by the Bradford Safeguarding Children Board. Over 80% of conferences are taking place on time and the Council has invested in 13 additional social work posts, two case conference chairs and minute takers. The arrangements to oversee Child Sexual Exploitation risks are robust with a multi-agency hub in place with the Council, Police and voluntary sector resources. There will be an independent review of the hub this financial year.

There are new Regulations for children's residential care backed up by a challenging Ofsted inspection regime. This will require good leadership of all the units, evidence of responsive wrap round services and improving outcomes for this vulnerable group of young people.

6.5 Engaging with Citizens and stakeholders in the shift from current to future levels of service.

Between now and 2020 the money for Council services that is under the Council's direct control is forecast to reduce by at least another £110m, from £401m to £296 million, which is over 25% and is on top of the savings already made.

In order to effect a culture change and to rebalance how people think about rights and responsibilities the Council is using its New Deal programme to engage with as many interested parties and individuals as possible about what really matters to local people, what it is reasonable for them to expect from local services at a time of big budget cuts and what they can do to help achieve positive results for themselves, their families, communities and district.

The first phase of this engagement and participatory programme ran from October 2014 to March 2015 and was designed to deliver the following objectives:

- Raise awareness of financial and demand challenges facing the district.
- Confirm priorities, understand what matters most to local people and explore public expectations of local services.

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- Develop stronger, shared approaches to community leadership and local resilience.
 - Support behaviour change and demand management.
 - Form a platform for continuing dialogue to identify new opportunities to make the most of the district's assets, find alternative delivery models and build momentum for change.

Partner and stakeholder workshops are currently being designed for June / July 2015 to build on this initial phase and help identify partner contributions to the New Deal approach. The next phase of citizen engagement will focus on some of the specific transformational proposals, to test appetite for change. Formal consultation on any proposed changes that are to be implemented in the next financial year will be incorporated into the 2016/17 budget consultation mechanisms.

7. 2015/16 Governance Challenges

The risks detailed below will be reviewed through the 2015/16 financial year and progress against them will be reported to the Governance and Audit Committee.

- 1) Agreeing an operating and financial plan in the context of the intractable tensions between resources, expectations of citizens and service users, and the statutory framework
- 2) Improving educational attainment
- 3) Safeguarding vulnerable children
- 4) Mitigating the effects of a loss of experience and expertise arising from staff reductions, especially where loss of such resource impacts on the management of services protecting vulnerable people.
- 5) Developing new and affordable models of care within the governance arrangements that exist across the health and social care system
- 6) Establishing sound governance structures pertaining to the West Yorkshire Combined Authority ensuring democratic accountability at the local level.
- 7) Impact on governance structures arising from developing policies for the delivery of regional devolution.
- 8) Ensuring that the Council's risk management strategy and practice is effectively embedded and reflects the dynamic risk environment faced by the Council.

8. West Yorkshire Pension Fund

The Council is the administering authority for the West Yorkshire Pension Fund (WYPF). The WYPF produces its own Governance Compliance statement which has been prepared in accordance with the requirements of the provisions of the Local Government Pension Scheme (Amendment No. 3 Regulations 2007).

The Council has established two bodies to assist and support the Governance & Audit Committee oversee the WYPF:

- the WYPF Investment Advisory Panel and
- the WYPF Joint Advisory Group

The WYPF Investment Advisory panel has overall responsibility for overseeing and monitoring the management of WYPF's investment portfolio and investment activity. In this capacity, the Panel is responsible for formulating the broad future policy for investment. A Director of Finance from one of the member Authorities sits on the Panel, this position is currently held by the Director of Resources for Kirklees MDC.

The WYPF Joint Advisory Group has overall responsibility for overseeing and monitoring the WYPF's pensions administration function, and for reviewing and responding to proposed changes to the Local Government Pension Scheme. In addition the group approves the budget estimates for the pensions administration and investment management functions of WYPF, and also receives WYPF's Annual Report and Accounts.

The Council is also responsible for the financial and management arrangements of the West Yorkshire Pension Fund and a separate assessment of the adequacy of these arrangements is also required. The following internal arrangements are in place to provide the Council with the necessary assurance.

- The West Yorkshire Pension Fund has adopted the Council approved approach to risk management
- Risk registers are maintained and management action plans (MAPs) are in place for risks assessed as requiring active management
- Risks are monitored and MAPs reassessed regularly
- A risk management report is submitted annually to the WYPF Joint Advisory Group.

There are not expected to be any issues arising from the annual report and review to be submitted to the Joint Advisory Group meeting in July 2015.

9. Statement

Over the coming year we propose to take steps to address the challenges identified above to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Councillor David Green, Leader of Council

Signed:

Suzan Hemingway, Interim Chief Executive

[Date]

