

Agenda for a meeting of the Governance and Audit Committee to be held on Tuesday, 24 January 2017 at 11.00 am in Committee Room 3 - City Hall, Bradford

Members of the Committee – Councillors

CONSERVATIVE	LABOUR	LIBERAL DEMOCRAT
M Pollard	Johnson Thornton Swallow	J Sunderland

Alternates:

CONSERVATIVE	LABOUR	LIBERAL DEMOCRAT
Ellis	Farley Watson	Fear

Notes:

- This agenda can be made available in Braille, large print or tape format on request by contacting the Agenda contact shown below.
- The taking of photographs, filming and sound recording of the meeting is allowed except if Councillors vote to exclude the public to discuss confidential matters covered by Schedule 12A of the Local Government Act 1972. Recording activity should be respectful to the conduct of the meeting and behaviour that disrupts the meeting (such as oral commentary) will not be permitted. Anyone attending the meeting who wishes to record or film the meeting's proceedings is advised to liaise with the Agenda Contact who will provide guidance and ensure that any necessary arrangements are in place. Those present who are invited to make spoken contributions to the meeting should be aware that they may be filmed or sound recorded.
- If any further information is required about any item on this agenda, please contact the officer named at the foot of that agenda item.

From:

Parveen Akhtar
City Solicitor
Agenda Contact: Fatima Butt
Phone: 01274 432227
E-Mail: fatima.butt@bradford.gov.uk

To:



A. PROCEDURAL ITEMS

1. ALTERNATE MEMBERS (Standing Order 34)

The City Solicitor will report the names of alternate Members who are attending the meeting in place of appointed Members.

2. DISCLOSURES OF INTEREST

(Members Code of Conduct - Part 4A of the Constitution)

To receive disclosures of interests from members and co-opted members on matters to be considered at the meeting. The disclosure must include the nature of the interest.

An interest must also be disclosed in the meeting when it becomes apparent to the member during the meeting.

Notes:

- (1) *Members may remain in the meeting and take part fully in discussion and voting unless the interest is a disclosable pecuniary interest or an interest which the Member feels would call into question their compliance with the wider principles set out in the Code of Conduct. Disclosable pecuniary interests relate to the Member concerned or their spouse/partner.*
- (2) *Members in arrears of Council Tax by more than two months must not vote in decisions on, or which might affect, budget calculations, and must disclose at the meeting that this restriction applies to them. A failure to comply with these requirements is a criminal offence under section 106 of the Local Government Finance Act 1992.*
- (3) *Members are also welcome to disclose interests which are not disclosable pecuniary interests but which they consider should be made in the interest of clarity.*
- (4) *Officers must disclose interests in accordance with Council Standing Order 44.*

3. MINUTES

Recommended –

That the minutes of the meeting held on 1 December 2016 be signed as a correct record (previously circulated).

(Fatima Butt – 01274 432227)



4. **INSPECTION OF REPORTS AND BACKGROUND PAPERS**

(Access to Information Procedure Rules – Part 3B of the Constitution)

Reports and background papers for agenda items may be inspected by contacting the person shown after each agenda item. Certain reports and background papers may be restricted.

Any request to remove the restriction on a report or background paper should be made to the relevant Strategic Director or Assistant Director whose name is shown on the front page of the report.

If that request is refused, there is a right of appeal to this meeting.

Please contact the officer shown below in advance of the meeting if you wish to appeal.

(Fatima Butt - 01274 432227)

B. BUSINESS ITEMS

5. **EXTERNAL AUDIT PROGRESS REPORT 2016/17 - AUDITS OF CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL AND WEST YORKSHIRE PENSION FUND**

The report of External Audit (**Document “X”**) updates the Committee on progress with the 2016/17 audits and highlights key emerging national issues which may be of interest.

The Audit Strategy Memoranda will be reported at a subsequent Committee meeting. These will set out the significant risks that have been identified for the audits, for both the opinion on the statement of accounts as well as the value for money conclusion, and the approach to the audits.

As part of the audit, External Audit need to understand how the Governance and Audit Committee, as those charged with governance, gains assurance over management processes and arrangements:

- to prevent and detect fraud; and
- to comply with applicable law and regulations.

The report asks questions about the arrangements and request the Committee to provide a response by the end of March 2017.

Some matters of governance interest have also been highlighted in the report.



Recommended-

That the Committee considers

- the external audit progress report; and
- provides a response by the end of March 2017 to questions about arrangements to prevent and detect fraud and to comply with applicable law and regulations.

(Steve Appleton – 01274 432392)

6. ANNUAL GOVERNANCE STATEMENT 2015/16

The Strategic Director, Corporate Services will submit **Document “Y”** which reviews progress on the significant governance concerns reported in the Council’s Annual Governance Statement 2015-16, concluding that positive progress is being made.

Recommended-

That members –

- Review the information contained in the report and the progress made in addressing the significant governance challenges.
- Endorse the further actions planned.
- Alert officers and Members to any emerging governance concerns requiring review during the 2016-17 process.

(Stuart McKinnon-Evans – 01274 432800)

7. APPOINTMENT PROCESS FOR THE COUNCILS EXTERNAL AUDITORS FOR 2018/19

The Strategic Director, Corporate Services will submit **Document “Z”** which explains to the Committee the options available for the appointment of the Council’s external auditor from the 1st April 2018. There are three options that the Council could adopt. Whilst this is a decision for Council, the Committee has a key role in respect of managing the relationship with the Council’s external auditors. This report presents the Committee with the advantages and disadvantages of each option and the opportunity to make a recommendation to Council of the Committee’s preferred option.



Recommended-

That the Committee recommends its favoured option to the February meeting of council for their consideration as to the appointment process for the Councils external audit from 2018/19.

(Mark St Romaine – 01274 432888)

THIS AGENDA AND ACCOMPANYING DOCUMENTS HAVE BEEN PRODUCED, WHEREVER POSSIBLE, ON RECYCLED PAPER



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**Report of the External Auditor to the meeting of
Governance and Audit Committee to be held on 24
January 2017.**

Subject:

X

**External audit progress report for the 2016/17 audits of City of Bradford
Metropolitan District Council and West Yorkshire Pension Fund**

Summary statement:

**The report updates the Committee on progress with the 2016/17 audits and
highlights key emerging national issues which may be of interest.**

Mark Kirkham
Partner
Mazars LLP
Report Contact: Steve Appleton
Phone: (01274) 432392
E-mail: steve.appleton@mazars.co.uk

1. SUMMARY

We have started planning the 2016/17 audits of City of Bradford MDC and West Yorkshire Pension Fund.

We will present our Audit Strategy Memoranda at a subsequent Committee meeting. These will set out the significant risks we have identified for the audits, for both the opinion on the statement of accounts as well as the value for money conclusion, and our approach to the audits.

As part of our audit we need to understand how the Governance and Audit Committee, as those charged with governance, gains assurance over management processes and arrangements:

- to prevent and detect fraud; and
- to comply with applicable law and regulations.

The request also covers the appropriateness of the going concern assumption.

In our progress report we ask some questions about the arrangements and would be grateful if the Committee could provide a response by the end of March 2017.

We have also highlighted some matters of governance interest.

2. BACKGROUND

Not applicable.

3. OTHER CONSIDERATIONS

None.

4. OPTIONS

Not applicable.

5. FINANCIAL & RESOURCE APPRAISAL

Not applicable.

6. RISK MANAGEMENT AND GOVERNANCE ISSUES

None.

7. LEGAL APPRAISAL

Not applicable.

8. OTHER IMPLICATIONS

8.1 EQUALITY & DIVERSITY

Not applicable.

8.2 SUSTAINABILITY IMPLICATIONS

Not applicable.

8.3 GREENHOUSE GAS EMISSIONS IMPACTS

Not applicable.

8.4 COMMUNITY SAFETY IMPLICATIONS

Not applicable.

8.5 HUMAN RIGHTS ACT

Not applicable.

8.6 TRADE UNION

Not applicable.

8.7 WARD IMPLICATIONS

Not applicable.

9. NOT FOR PUBLICATION DOCUMENTS

None.

10. RECOMMENDATION

That the Governance and Audit Committee considers

- the external audit progress report; and
- the request for a response by the end of March 2017 to questions about arrangements to prevent and detect fraud and to comply with applicable law and regulations.

11. APPENDICES

External audit progress report

12. BACKGROUND DOCUMENTS

None.

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City of Bradford Metropolitan District Council

External Audit Progress Report

January 2017

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Our reports are prepared in the context of Public Sector Audit Appointments Limited’s ‘Statement of responsibilities of auditors and audited bodies’. Reports and letters prepared by appointed auditors and addressed to members or employees of City of Bradford Metropolitan District Council are prepared for the sole use of the Council. We take no responsibility to any member or employee in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

01 Introduction

The purpose of this report is to update the Governance and Audit Committee of City of Bradford Metropolitan District Council (the Council) on progress in delivering our responsibilities as your external auditors.

We have also highlighted key emerging national issues and developments which may be of interest to Committee Members.

If you require any additional information, please contact us using the contact details at the end of this update.

Finally, please note our website address (www.mazars.co.uk) which sets out the range of work Mazars carries out, both within the UK and abroad. It also details the existing work Mazars does in the public sector.

02 Audit progress

We are starting planning for the 2016/17 audit which covers:

- the audit of the financial statements;
- our work to conclude on your arrangements for securing value for money; and
- a programme of work specified by NAO in respect of your Whole Government Accounts submission.

Our planning involves assessing the risks of material misstatement in the financial statements and the risks relating to the value for money conclusion and developing a plan of audit procedures to address the identified risks. We do this by:

- identifying the business risks facing the Council, including assessing your own risk management arrangements;
- considering the Council's financial performance;
- assessing internal control, including reviewing the control environment;
- evaluating and testing the IT control environment;
- assessing the risk of material misstatement arising from the activities and controls within the information systems; and
- walking through the key controls within the key financial systems.

We will hold planning meetings with senior managers to inform our planning risk assessments and to better understand the priorities and challenges the Council faces.

We will present our Audit Strategy Memorandum to a subsequent Governance and Audit Committee. This will set out the significant risks we have identified for the audit, for both the opinion on the statement of accounts and the value for money conclusion, and our approach to the audit.

As part of our commitment to quality, team members have already attended our annual audit training conference which includes feedback from quality reviews to take into account in the coming year.

We are planning our annual accounts workshops which provide an update on the latest developments as well as a forum for our clients to discuss emerging issues. We will ensure officers receive invitations once we have agreed the dates.

03 Request for information

Audits of City of Bradford Metropolitan District Council and West Yorkshire Pension Fund for the year ended 31 March 2017

International Auditing Standards require auditors to ask 'those charged with governance' (i.e. the Governance and Audit Committee) about arrangements the entity has put in place:

- to prevent and detect fraud; and
- to comply with applicable law and regulations.

Our request also covers the appropriateness of the going concern assumption.

We list our questions below and would be grateful if the Committee could provide a response by the end of March 2017. Your responses will inform our assessment of the risk of fraud and error within the financial statements, which in turn determines the extent of audit work we need to undertake.

1) How do you exercise oversight of management's processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error;
- identifying and responding to risks of fraud in the Council, please detail any specific risks of fraud which management have identified, and classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
- communicating to employees its view on business practice and ethical behavior; and
- communicating to you the processes for identifying and responding to fraud or error.

2) How do you oversee management processes for identifying and responding to possible breaches of internal control? Are you aware of any significant breaches of internal control during 2016/17?

3) How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of significant non-compliance during 2016/17?

4) Are you aware of any actual or potential litigation or claims that would affect the financial statements?

5) Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on the Council's ability to continue as a going concern?

04 National publications and other updates

	National publications and other updates
1.	Round-up for Audit Committees , <i>National Audit Office, October 2016</i>
2.	Local Public Services Reform , <i>National Audit Office, September 2016</i>
3.	Alternative Delivery Models , <i>CIPFA, October 2016</i>
4.	Understanding Local Authority Financial Statements , <i>CIPFA, September 2016</i>
5.	Oversight of audit quality: quarterly compliance reports , <i>Public Sector Audit Appointments Ltd, Quarter 2 2016-17</i>
6.	2017/18 work programme and scale of fees , <i>Public Sector Audit Appointments Ltd, October 2016</i>

1. Round-up for Audit Committees, National Audit Office, October 2016

This interactive round-up of NAO publications is intended to help Audit Committees, Boards and other users by outlining the latest NAO resources for governance and oversight and risk management issues.

This round-up is designed to make it easy for Audit Committees, Boards and other users to find the NAO resources most helpful for the strategic management of public sector organisations. The round-up includes a focus on risk, summarising some of the learning points in NAO reports that provide particularly useful lessons for key aspects of risk management.

<https://www.nao.org.uk/report/round-up-for-audit-committees/>

2. Local Public Services Reform, National Audit Office, September 2016

In early 2016 the National Audit Office (NAO) undertook research to find out how local public service reform is being pursued in eight places in England, what the enablers and barriers are and how the government is supporting reform at a local level. This cross-sectoral report summarises the findings of their work and identifies sources of help that may be useful to local areas.

Reform is one of the ways local public services are responding to the challenge of reduced funding and rising demand. By working together, and with service users and citizens, to:

- prevent or reduce demand for costly services;
- make it easier for people to get access to the support they need; and
- redesign services to meet people's needs in a more integrated and effective way.

Local public services can both improve outcomes and save money. The NAO found that more action is needed at a national and local level to encourage this sort of reform and overcome the barriers to success. The report includes an interesting depiction on page 5 of the projected financial impact of local public service reform; with a prediction of £1.1 billion of benefits to the wider economy that could be made, of which just over £300 million in gross fiscal benefits (excluding net costs) arising from the NHS alone.

<https://www.nao.org.uk/report/local-public-service-reform/>

3. Alternative Delivery Models, CIPFA, October 2016

Alternative service delivery models of various shapes and sizes are increasingly being used to deliver a growing number and range of public services in many locations in the UK.

An alternative delivery model can be a different way of managing, collaborating and contracting, or it can involve the establishment of a completely new organisation that could be wholly, or partly owned by the parent body or a completely independent enterprise.

They range from small community-based initiatives, employee led spin outs (large and small), local authority companies, to substantial multi-stakeholder partnerships involving private and public sector organisations.

At their best, these new models can provide greater flexibility and dynamism, while maintaining continued commitment to public service and wellbeing.

This combination of innovation in public enterprise and public/social purpose can make them effective vehicles for improving service outcomes.

<http://www.cipfa.org/policy-and-guidance/publications/a/a-practical-guide-to-alternative-delivery-models-online>

4. Understanding Local Authority Financial Statements, CIPFA, September 2016

This publication updates previous CIPFA guidance designed to make the complex financial statements required for local (including fire) authorities more understandable. The 2016/17 Code includes a revised format that is closer to that used for management reporting during the year. The document describes the changes and identifies opportunities to simplify presentation and make the messages clearer regarding:

- comparison with budgets;
- reserves positions; and
- cash flow.

<http://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/simplification-and-streamlining-the-presentation-of-local-authority-financial-statements>

5. Oversight of audit quality: quarterly compliance reports 2016/17, Public Sector Audit Appointments Ltd

The quarter 2 2016/17 monitoring report highlights full compliance with the Regulator's standards for Mazars LLP.

<http://www.psa.co.uk/audit-quality/principal-audits/mazars-audit-quality/>

6. 2017/18 work programme and scale of fees, Public Sector Audit Appointments Ltd, October 2016

The consultation sets out the work that auditors will undertake at principal local government and police bodies for 2017/18, with the associated scale fees.

There are no changes to the overall work programme for 2017/18. PSAA therefore proposes that scale fees are set at the same level as the fees applicable for 2016/17. These fees reflect the significant reductions made to scale fees since 2012/13.

<http://www.psa.co.uk/audit-and-certification-fees/201718-work-programme-and-scales-of-fees/>

05 Contact details

Please let us know if you would like further information on any items in this report.

www.mazars.co.uk

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Report of the Strategic Director, Corporate Services to the meeting of the Governance and Audit Committee to be held on 24 January 2017

Y

Subject:

Annual Governance Statement 2015-16

Summary statement:

This report reviews progress on the significant governance concerns reported in the Council's Annual Governance Statement 2015-16, concluding that positive progress is being made.

Report Contact: Stuart McKinnon-Evans
Strategic Director, Corporate Services

Phone: (01274) 432800
E-mail: stuart.mckinnon-evans@bradford.gov.uk

Portfolio:

Corporate

Improvement Area:

Corporate



1. Summary

The purpose of this report is to update members on the progress and improvements being made in addressing those significant governance concerns reported in the Council's Annual Governance Statement 2015-16.

2. Background and Process

2.1 The annual governance 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

2.2 The 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
- Reports 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.

2.3 A report by the Director of Finance to the meeting of the Governance and Audit Committee on 28th June 2016 set out the approach to conducting the review of the effectiveness of the Council's governance framework, including the system of internal control, the conclusions of the review and the Annual Governance Statement for 2015-16.

2.4 The Annual Governance Statement (AGS) was formally reviewed and approved by the Governance & Audit Committee at its meeting on 28th June 2016. The Committee subsequently authorised the Leader of the Council and the Chief Executive to sign the document on behalf of the Council for inclusion with the Statement of Accounts for 2015-16.

2.5 The Statement reported that the Governance and Audit Committee would be kept informed of progress in addressing weaknesses and areas of concern.

3. **Review and Conclusion**

The Annual Governance Statement identified seven governance challenges,

- 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) Establishing sound governance structures pertaining to the West Yorkshire Combined Authority ensuring democratic accountability at the local level.
- 6) Impact on governance structures arising from developing policies for the delivery of regional devolution.
- 7) Implications of the EU Referendum Result

A comprehensive review of these governance issues has been undertaken and a detailed update is provided in Appendix 1.

In every area issues and concerns have been progressed and whilst some areas have completed the required actions, Council officers recognise the need for continuing effort to achieve improvements in the delivery and operation of their services.

4. **Financial and resources appraisal**

There are no direct financial implications arising from this report.

5. **Risk Management**

The Council's risk management framework remains in place and, as previously reported, corporate risks are reviewed regularly, usually at quarterly intervals. Changes in risk assessments must be reported to and endorsed by DMTs so that Strategic Directors are kept informed of the risk environment.

There are no new risk management issues arising from this report.

6. **Legal appraisal**

- 6.1 The Accounts and Audit Regulations 2015 require the Council to conduct a review of the effectiveness of the Council's governance framework including the system of internal control.

6.2 The Council is required to test its governance arrangements against the principles contained in the CIPFA/Solace framework 'Delivering good governance in Local Government'.

6.3 The CIPFA/Solace framework also requires the Council to provide an outline of the actions taken, or proposed, to deal with significant governance issues. The Council's Annual Governance Statement 2015 -16 contained such a statement.

7. **Other implications**

7.1 **Equal Rights**

Risk management assists in ensuring barriers to the delivery of services are reduced which in turn supports the achievement of equality and diversity.

7.2 **Greenhouse Gas Emission Impacts**

There are no impacts on Gas Emissions.

7.3 **Sustainability Implications**

The Annual Governance Statement will examine the sustainability of the Council's activity and ensures that mechanisms are in place to deliver business continuity.

7.4 **Community Safety Implications**

Community safety implications are considered when identifying strategic risks such as safeguarding.

7.5 **Human Rights Act**

The Annual Governance Statement will take into account any Human Rights Act implications.

7.6. **Trade Union**

There are no specific implications for the Trade Unions arising from the report.

7.7 **Ward Implications**

In general the Annual Governance Statement does not focus on individual ward issues.

8. **Not for publication documents**

None.

9. **Options**

Members may –

- Endorse the report
- Provide comment or instructions

-
- Bring forward any new governance concerns which should be reviewed, assessed or examined in the 2016-17 Annual Governance Statement.
 - Require further information.

10. **Recommendations**

That members –

- Review the information contained in this report and the progress made in addressing the significant governance challenges.
- Endorse the further actions planned.
- Alert officers and Members to any emerging governance concerns requiring review during the 2016-17 process.

11. **Appendices**

Appendix 1 - Annual Governance Statement 2015-16: Mid Year Review, Improvement and Progress Report.

12. **Background documents**

“Annual Governance Statement 2015-16” – report to Governance and Audit Committee 28th June 2016 – Director of Finance

“EU Referendum Response Plan” – report to Executive 20th September 2016 – Assistant Director, Policy Programmes and Change.

“Update to Council Executive on the progress and development of the 9 Point Strategic Response to CSE” – report to Executive 20th September 2016 – Strategic Director, Children’s Services

“Educational Standards 2016 – Early Years to Key Stage 5” - Report to Children’s Services Overview & Scrutiny Committee 12th October 2016 - Strategic Director, Children’s Services

“Inspection of Bradford local authority’s arrangements for supporting school improvement” – report to Executive 11th October 2016 - Strategic Director, Children’s Services

“West Yorkshire Combined Authority” - Report to Environment and Waste Overview & Scrutiny Committee 29 November 2016 - Strategic Director (Regeneration)

Annual Governance Statement 2015-16: Mid Year Review and Progress Report as at January 2017

Governance Challenge – AGS 2015-16	Response reported in AGS 2015-16	Update at January 2017
<p>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</p> <p>Page 18</p>	<p>The Council's short and medium term plans will be developed and implemented as follows:</p> <p>District Plan The District Plan adopted by the Bradford District Partnership will be the vehicle for developing proposals about the future of the Council to around 2020. The working arrangements for each District Plan outcome vary to suit the maturity of the proposals and the gamut of views needed.</p> <p>The Council Plan The Council Plan will set out the overarching medium term priorities for what the Council will do, in collaboration with partners. Within the context the Medium Term Financial Strategy, which will be published in July 2016, budget proposals for 2017- 19 will be made and publicly consulted upon from autumn 2016. Engagement with partners and the public more generally will build on existing channels and methods of engagement</p> <p>Council Budget 2016-2018 The Council's proposed budget for 2016/17 and 2017/18 was consulted on, using familiar consultation mechanisms from previous years. The budget agreed in February 2016 Council, set the financial parameters for the District and Council Plans, and is now being implemented. Quarterly financial monitoring reports to Executive will track progress. Under all these arrangements, the tension between what is expected, required and affordable, and how to resolve it, remains centre stage, and features prominently in risk analyses.</p>	<p>The Council's short and medium term plans have been developed and are being implemented as follows:</p> <p>District Plan The District Plan has been adopted by the Bradford District Partnership in April 2016 and subsequently by Executive and full Council in June and July 2016 respectively. It sets out the aspirations, current position and delivery commitments for each lead partnership, alongside suggested methods for how citizens, business and the voluntary and community sector can assist, and success measures to assess progress. Each of the partnership reported progress to date in the Bradford District Partnership annual report, completed in August 2016 and an update on progress was reported to Corporate Overview and Scrutiny Committee in December 2016.</p> <p>Council Plan The Council Plan was approved by Executive and subsequently full Council in October 2016. It sets out the Council's contributions to the District Plan, as well as a sixth outcome focused on how we use all our resources effectively. It has shaped the development of an outcome based budgeting approach which will ultimately lead to the creation of outcome delivery plans, developed in the context of the budget setting process and focused on what the Council will deliver to help meet the district wide agreed outcomes.</p> <p>Council Budget 2016-18 The Director of Finance's Mid Year Financial Position and Performance Report for 2016/17 (Document "AC") to Executive on 8 November provided Members with an overview of the forecast financial position of the Council for</p>

Governance Challenge – AGS 2015-16	Response reported in AGS 2015-16	Update at January 2017
<p>Page 19</p>		<p>2016-17. It detailed the latest spend against revenue and capital budgets and forecasts the financial position at the year end and stated the Council’s current balances and reserves and forecasts school balances for the year.</p> <p>The report covered</p> <ul style="list-style-type: none"> • The forecast outturn of the Council’s revenue budget including management mitigations where issues have been identified • The delivery of 2016-17 approved budget savings plans. • Identified areas of continuing good performance as well as areas of concern • Specifically identified growing demand for services particularly in Adults and Children’s Social Care as key financial risks. <p>The report also confirms that the financial risks of future known and uncertain liabilities are being addressed by identified contingencies and provisions which were outlined in the report.</p>
<p>Improving Educational Attainment</p>	<p>The Local Authority’s (LA) school improvement function was inspected in June 2015. The lead document for the inspection was the LA’s Self Evaluation. Whilst the outcome of the inspection was heavily influenced by the continued poor overall outcomes achieved in Bradford’s schools, there was recognition that the Local Authority knows itself and the challenges it faces, and the inspectors were confident that the newly formulated school improvement strategy was the right way forward. The LA has been led to expect that its school improvement arrangements and outcomes will be re-inspected in</p>	<p>Early Years: There have been continued improvements in outcomes for our 5 year-olds measured by both key indicators of GLD and the average mean score. The percentage of children achieving a GLD rose by 4%, faster than the national increase (3%) and closed the gap to the national average by 1%. The mean score in Bradford increased by 0.7 points to 33.7 points faster than the national increase of 0.2 points and further closed the gap. This has been as a result of several factors including a clear strategy to identify underperforming schools by a more rigorous and</p>

Governance Challenge – AGS 2015-16	Response reported in AGS 2015-16	Update at January 2017
<p>Page 20</p>	<p>autumn 2016. The new improvement strategy fully supports a school-led improvement system and sets out clear roles for the three strategic partners. The Government’s latest White Paper (March 2016) states that all remaining maintained schools will be academies or in the process of conversion by 2020. Whilst the Government has now revised the requirement for the very best schools to become academies, the guidance is still clear that all schools in underperforming local authorities will convert to academies. This is expected to apply in the Bradford District. As a result this clearly indicates a removal of the LA’s strategic role in education. However in the interim there is a clear understanding between the strategic partners about their respective roles.</p> <ul style="list-style-type: none"> • The LA to work with underperforming and schools causing concern to monitor, challenge and intervene when necessary to ensure their rapid improvement. The LA as a commissioner rather than deliverer of services. • The five main partnerships of secondary, primary, catholic, special and nursery schools, to lead on the school-to-school support for improvement. This recognises that the expertise and capacity to have a positive impact on Bradford’s educational outcomes sits in our schools. However it is also recognised that external expertise is needed to accelerate improvement in Bradford and as a result schools have been working closely with colleagues from Wigan LA, and there have been recent negotiations with the Regional Schools Commissioner to bring two major, and successful, external sponsors to Bradford to lead improvements in a number of new academies • The Teaching School Alliances (TSAs) have access to training resources and external funding so that school staff, at whatever stage they are in their careers, can access further training and development. There are five 	<p>detailed use of a wide range of data and indicators and commissioning programmes of work from partners including the Birth to 19 TSA and national expertise from the National Literacy Trust and their Bradford Hub.</p> <p>The Early Years Service has drawn on external expertise including the GMR region and has used this to implement work on piloting a new achievement and progress tracking system for young children from the age of 2 years old which will better inform not only our commissioning, but use and deployment of staff and resource, targeted work, information sharing and collaboration with partners such as our children’s centre clusters, Public Health partners (Health Visitors) and our Early Years SEN services and early assessment.</p> <p><u>KS1 and KS2 – the 2016 outcomes reflect an improvement in the Phonics and the LA’s ranking as outlined below:</u></p> <p>Phonics 2016 actual result was 79% a 4% improvement but still 2% below the national average. The LA was ranked 102 out of 150 – which is up 4 places when compared to 106 in 2015.</p> <p>Key Stage 1: unable to compare with previous years due to new assessment measures.</p> <ul style="list-style-type: none"> • Reading: 126 of 150 (139 in 2015 on L2B+) • Writing: 93 of 150 (123 in 2015 on L2B+) • Maths: 114 of 150 (137 in 2015 on L2B+) <p>Key Stage 2: unable to compare with previous years due</p>

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<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 21</p>	<p>TsAs in the Bradford District Future development of the school-led improvement strategy in Bradford is being directed through the post-Ofsted Action Plan that the LA produced in September 2015 and was being implemented prior to that date. The plan focuses on nine key improvement themes, each led by a senior LA officer (DCS, ADs and Heads of Service). The tracking of the progress and impact of the plan is carried out through a KPI (key performance indicator) monitor and monthly RAG ratings of each of the key activities. The outcomes of the plan are being evaluated by the Education Improvement Strategic Board (EISB), which includes in its membership an external chair, four senior elected members, and key stakeholders from schools (including a governor rep), partnerships, teaching school alliances and the LA. The EISB holds all partners to account for the required improvements. In addition the Council’s Overview & Scrutiny Committee has a clear role in monitoring and evaluating progress. The Bradford Education Improvement Commissioning Board has also been set up to ensure that resources, mainly made available by Bradford Council and the Schools’ Forum, are allocated to schools, partnerships and teaching schools alliances where they will have greatest impact in addressing Bradford’s key priorities. The Commissioning Board is independently chaired, holds providers to account for the impact of allocated resources, and in turn is held to account by the Education Improvement Strategic Board (EISB). Plans are now being formulated to revise the post-Ofsted Action Plan in order to broaden its remit during a period of rapid change in education where multi-agency and multi-organisational working will need to be well co-ordinated to ensure the focus remains on the safety, health and well-being and educational outcomes of Bradford’s children and young</p>	<p>to new assessment measures</p> <ul style="list-style-type: none"> • RWM combined: 134 of 150 (142 in 2015 on L4B+) • VA: W (+0.9) & M (+0.2) above average; R (-0.8) below <p>The above outcomes indicated the need for a district wide reading strategy or campaign. The Project Manager of the Bradford Literacy Hub is working in close partnership with some school leaders, businesses and the local communities to launch and implement the ‘Let’s Get Bradford Reading’ campaign.</p> <p>The LA continues to work with underperforming and schools causing concern to monitor, challenge and intervene to ensure their rapid improvement. Since September 2015, 8 warning notices have been issued. No IEBs were established but additional governors were appointed to all the schools concerned. Two schools are in the process of converting to a sponsored Academy and another is exploring an academy conversion with a MAT. A new Chair of Governors was appointed in four of the schools concerned.</p> <p>The outcomes of school inspections remain a challenge even though there have been an increasing number of RI primary schools being judged as good since September 2015. Of the 76 schools/academies inspected between September 2015 and mid November 2016, 22 schools have improved from RI to Good, 2 from Good to Outstanding and 2 from RI to Outstanding, since their last inspections. However there are still too many schools which are being judged as requiring improvement for the second time – 12 LA maintained and 1 Academy. We recognise there is still work to do with the schools which</p>

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<p>Page 22</p>	<p>people. Professor David Woods, a leading educational expert, who conducted a robust review of Bradford’s school improvement arrangements in the summer of 2014, continues to provide consultancy support as a critical friend. His work involves the scrutiny of our developments and documentation to ensure they are fit for purpose. Accountability for the raising of standards in Bradford is now shared between the three strategic partners (teaching school alliances, partnerships and LA). The Regional Schools Commissioner (RSC) is playing an increasing role in monitoring the performance of Bradford schools – overseeing the conversion of schools to academies and the formation of multi-academy trusts, and holding existing academies to account for their performance.</p>	<p>remain RI, but of these schools 18 have been informed, from their Section 8 HMI monitoring visits, that they are taking ‘Effective Action’ since their previous judgement</p> <p>There are currently 22 MATs operating in the district and on 1 December 2016 there were 62 academies/free schools in the District. The conversion to academy status is very time consuming and is distracting school leaders from their core function of the monitoring and evaluation of teaching and learning and the impact on pupil progress.</p> <p>KS4/5: This year sees the implementation of a new secondary school accountability system at Key Stage 4 (KS4). The 5A*-C including English and Maths ‘floor standard’ component measure is being replaced by Progress 8. Other headline measures include: Attainment 8, the percentage of pupils achieving A*-C in English and maths: the “Basics”, the percentage of pupils entering the English Baccalaureate and the percentage of pupils achieving the English Baccalaureate.</p> <p>The percentage achieving A*-C in English and Maths in 2016 is 51.6% which represents an improvement of 3.8 percentage points on Bradford’s 2015 validated result of 47.8%. Nationally this figure is 58.7%. In terms of the other new measures:</p> <ul style="list-style-type: none"> Bradford’s percentage of students achieving the English Baccalaureate is 17.1%. This represents a slight decrease of 0.2 of a percentage point on Bradford’s 2015 validated result of 17.3%. There was also a minor decrease in this figure nationally from 22.9% to 22.8%

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<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 23</p>		<ul style="list-style-type: none"> • Attainment 8 score is 45.4 compared to national figure of 48.2 • Bradford’s Progress 8 is marginally negative at - 0.15. <p>The Bradford Partnership of all mainstream secondary providers will continue take the lead on school improvement, through a school-to-school improvement model, across the district. The Council has commissioned consultancy support to maintained secondary schools, focused on individual school’s needs.</p> <p>The Council will use the relevant data and information it holds to ensure intelligence on the secondary phase is available for interrogation as and when needed. This will inform discussion and challenge where needed, inform Strategic Planning and target effective deployment of resources.</p> <p>The Council will also review LA school support and continue dialogue with MATs and other partners regarding support provided in the future.</p> <p>Post-16 participation has improved and for the November to January 16-18 NEET indicator, Bradford was the 5th most improved LA in the country in 2016, improving NEET from 5.4% to 3.5%. At present (October 2016) the combined NEET and Not Known rate for 16 and 17 year olds (the DfE’s new indicator as of 1/9/16) is better than the national average and our statistical neighbours’ average. However attainment at Level 3 at 19 in particular has remained static while the national rate has continued to raise, thus the gap increased, and Bradford is 9th among</p>

Governance Challenge – AGS 2015-16	Response reported in AGS 2015-16	Update at January 2017
<p>Page 24</p>		<p>its statistical neighbours.</p> <p>Bradford has undertaken a review of post-16 in the last year, The proposals include:</p> <ul style="list-style-type: none"> • Delivering sustainable, high quality Post 16 provision through: rationalising 6th forms; collaboration based on geographical factors; collaborations within MATs; development of new 6th form colleges and post 16 free schools. • Championing and supporting better leadership. • Promoting networks and partnerships that can raise standards • Continue to focus on 16-19 outcomes at all levels. <p>A new post-16 Partnership has been formed to take this work forward and meets for the first time in January 2017.</p>
<p>Safeguarding Vulnerable Children</p>	<p>The number of referrals to children's social services has reduced to 400 per month compared to 450 per month last year. There has been a reduction in the number of children on Child Protection Plans, from 646 in the last year to 487 in October 2015. This demonstrates the effectiveness of the work being done to reduce risks and safeguard children. The Action Plan developed following the Ofsted Inspection of Child Protection and Looked After Children in February and March 2014 has been completed and systems are in place to monitor child protection conferences and safeguarding arrangements by both the council and the Bradford Safeguarding Children's Board. All children who are subject to a Child Protection Plan have an allocated social worker and 87% of Child Protection conferences take place within the required</p>	<p>There has been a general upward trend in the workload of Children's Social Care since the last year, and in this respect Bradford reflects national trends of increased social care workload. The number of referrals received has increased to around 510 per month, which is considerably higher than the last reporting period. The number of children on child protection plans has increased to 530 from 477 in October 2015. The number of children looked after has also increased slightly to 930, although the increase is less than the national average. The Bradford rate per 10,000 of child protection and looked after children are both less than most of our statistical neighbours. All children on Child Protection Plans have an allocated social worker. Case loads currently average 13.1 and those staff with significantly higher case loads have</p>

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<p>Page 25</p>	<p>timescale. The multi agency Child Sexual Exploitation Hub has had increase in staffing from the police and a review of the Hub is currently taking place. An independent review of Children's homes has been completed and a comprehensive transformation programme incorporating recommendations from that review is being implemented. The programme will refocus and strengthen our children's residential and foster care, in particular regarding placements for adolescents with complex needs. All the children's homes except one have been inspected under the new revised inspection regulations. 82% were judged to be good, one was graded outstanding and one requires improvement. The council is leading a programme of change with partner agencies to develop our Early Help offer which will see families supported earlier and prevent problems escalating. A multi-agency project board meets monthly and there are plans to pilot the new arrangements from April 2016.</p>	<p>these regularly reviewed. The multi agency CSE hub has maintained its staffing compliment and in addition a missing coordinator has been appointed. The missing protocol has been updated in consultation with West Yorkshire Police. All children's homes have been inspected. Two require improvement, 8 are good and 1 has been judged outstanding. The Early Help offer is scheduled to go live district wide early in 2017.</p>
<p>Ensuring an effective integrated system of health and social care</p>	<p>With financial and performance pressures mounting in the NHS, the national quest continues for how an affordable and effective integrated system of health and social care should be organised and operate. Whilst governance arrangements are in place – with the Health and Wellbeing Board at the apex, supported by officer-level governance groups and a work programme; and while progress has been made in developing high-level visions, some new local initiatives of integrated care, there is not yet a shared and affordable plan of the health and social care system in the Bradford District for the medium term. The current planning mechanism is the district-wide Sustainability and Transformation Plan, seeking to set out what needs to be done on three fronts: health of people, quality of care, and cost. The magnitude of the challenge,</p>	<p>The Bradford Sustainable and Transformation Plan (STP) has been signed off by the Health and Wellbeing Board. The Bradford Plan is one element of a West Yorkshire and Harrogate regional STP.</p> <p>Alongside the development of the STP the Health and Social Care System has been in 'collaborative dialogue' with the NHS Providers, the Local Authority, General Practice and the Voluntary Sector about the creation of a new system of delivering improved health and social care outcomes. The new system is referred to as an Accountable Care System, a new legal entity which will have the responsibility and the money to deliver various services to the populations of Bradford, Airedale, Wharfedale and Craven. The new legal entity will see the</p>

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	<p>the interconnectedness of the system, and the centrality of the issues to the Council’s key priority of Better Health, Better Lives, and the elusiveness of answers, mean these questions remain on the list of principal governance challenges.</p>	<p>parties change how services are delivered, placing the individual at the centre of all activity. The new entity will eliminate duplication of effort and secure a seamless delivery of services across the parties to the benefit of the person.</p>
<p>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.</p> <p>Page 26</p>	<p>The impact of the loss of experience and expertise is being felt in all Council departments. From a governance and control perspective, this can surface as:</p> <ul style="list-style-type: none"> • Insufficient capacity, skill or knowledge, to identify and manage risks and resolve issues • Loss of corporate memory • Poor or insufficient practical service delivery. Examples cited by departments include transport engineering, teachers and school leaders, and social care management. <p>Service managers are using a variety of mitigations to reduce the risk associated with continued downsizing:</p> <ul style="list-style-type: none"> • Dedicated retention and recruitment drives, particularly for teachers • More stringent criteria for approving request for voluntary departure • Eliminating “single points of failure” • Sharing resources and expertise with other local authorities • Skills development programmes including Future Leaders Programme, and the Regeneration Academy, and the workforce development strategy led by Human Resources • Short-term use of temporary staff • Restructuring to regularise collaborative working and skill sharing <p>Looking ahead, the governance challenge will remain of how the skills, knowledge and capacity can be secured and developed to ensure priority, more keenly defined in view of shrinking resources, can actually be</p>	<p>Children -</p> <ul style="list-style-type: none"> • Recruitment and retention strategy for teachers and leaders is having an impact. • Departmental Management Team restructuring providing better alignment. • Social care restructured and investment in some key posts. • Journey to Excellence re-energised the vision and engagement including investment in Signs of Safety. • Invested in programme support to assist with the change programmes. <p>Finance -</p> <ul style="list-style-type: none"> • Limited use of temporary staffing is offsetting key operational skills • Discussions with West Yorkshire council underway about sharing finance and procurement capacity <p>Regeneration – Mitigation includes</p> <ul style="list-style-type: none"> • Retention of key staff through phased retirement to assist with succession training. • Use of agency staff and fixed term contracts to deliver on key projects. • Review salary scales of posts where there is increased competition from the private sector (Market rate).

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<p>Page 27</p>	<p>delivered.</p>	<p>Adults – Staff reductions arising from budget cuts will always be managed in line with the Council’s Policies and Procedures. Every opportunity will be taken to retain the expertise and experience of our workforce. The department recognises the age profile of our workforce and are committed to succession planning through the provision of appropriate training and development opportunities of the workforce. In recruiting new employees we are committed to attracting the best candidates with a combination of competitive salaries and excellent working conditions.</p> <p>HR Workforce planning by departments should take into account the knowledge transfer required where skills are lost through workforce reductions. Succession planning should feed into the Councils workforce development plan and skills required for the future identified.</p> <p>Office of the Chief Executive – OCX are implementing effective workforce planning and provide peer training and development to help mitigate against the effects of a loss of experience and expertise arising from staff reductions.</p>
<p>Establishing sound governance structures pertaining to the West Yorkshire Combined Authority ensuring democratic accountability at the local level.</p>	<p>Projects funded by the West Yorkshire Combined Authority (WYCA) are controlled under their Assurance Framework. A rigorous project management system is in place for all Growth Fund and West Yorkshire+ Transport Fund projects. Reports have been presented to CBMDC Governance and Audit Committee and to Corporate O&S Committee on WYCA/Leeds City Region Enterprise Partnership (LEP). Governance arrangements are set</p>	<p>Work has continued through political and managerial leadership to ensure the effective accountability, controls and reporting for WYCA and by association the Leeds City Region Enterprise Partnership (as the city-regional business partnership). WYCA has its own organisational controls, corporate plan and a dedicated transformation programme for 2016-17 onwards to reshape itself as the driving force for regeneration working with its member</p>

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<p style="text-align: center;">Page 28</p>	<p>through WYCA with direct involvement of the Leader of CBMDC on the Board and in the WY&Y Investment Committee. The Deputy Leader is also directly involved on transport, planning and housing matters. CBMDC elected members are also involved in WYCA's own Governance and Audit Committee and Overview & Scrutiny committee and activity. The Leader of the Conservative Group is a political substitute member on the WYCA. The Leader of the Liberal Democrat Group, CBMDC sits on WYCA representing Liberal Democrats. Further changes to WYCA for legal compliance and effective operation are being progressed through the Business Plan 2015-16 and a Development Programme, including the recruitment of a Managing Director post to oversee the next significant phase of WYCA efficiency and transformation. This sees the WYCA, as a local authority body, working with the five primary Local Authority constituent members, including CBMDC. Governance and Audit Committee received an update on WYCA and LEP in Spring 2016. Established governance structures and arrangements are in operation with monitoring and continuous improvement. More substantial changes may be necessary in the light of sub-national devolution and other processes – local government & public services reconfiguration, public sector reform, democratic renewal etc. for 2016.</p>	<p>Local Authorities. Specific attention is being paid to financial, risk, performance and delivery matters under the new arrangements, organisational structure and appointments. WYCA involves the Leader of the Council directly, as well as the Leader of the Conservative Group – for political balance. The Leader of the Council's Lib Dem Group is also an alternate and received the CA papers and briefings through that route. Members and Officers are also involved in key strategy and direction setting for WYCA/LEP including the recently adopted Leeds City Region Strategic Economic Plan 2016-36. CBMDC Governance and Audit Committee, Corporate O&S, Regeneration and Economy and Environment and Waste O&S have all been involved in local scrutiny of WYCA and the Leeds City Region Enterprise Partnership (LEP). This has complemented information and debate at Full Council, member training (November 2016) and involvement of the Executive in WYCA briefings. Bradford is also has involvement through local nominations and CA appointments on the WY&Y Investment Committee, the Transport Committee and on the CA's own Overview and Scrutiny arrangements. Arrangements for CA Governance and Audit Committee have altered recently and these will be reported to CBMDC GAC Committee in 2016-17.</p>
<p>Impact on governance structures arising from developing policies for the delivery of regional devolution.</p>	<p>A Devolution deal was agreed in March 2015 and implementation plan developed with Civil Servants on the technical aspects relating to transport, housing, business support, employment and skills. Since the General Election and under the new Government, devolution ambitions and expectations are progressing including specific legislative proposals set out in the Cities and Local</p>	<p>Leeds City Region Devolution agreement was adopted in March 2015. This did not include mayoral combined authority or fiscal devolution measures and was focussed on practical measures for greater efficiency and delivery. Regional devolution for Leeds City Region continues to be discussed and developed during 2016-17 and remains controlled by the Government through HM Treasury. West</p>

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<p style="text-align: center;">Page 29</p>	<p>Government Devolution Bill, the Buses Bill and Housing and Planning Bill amongst others. Further negotiations are in progress with HM Government and civil service. Governance structures, procedures and implications are being considered and developed, within the emerging legislative framework, to protect and promote the interests of local places and local government. These developments are expected to continue into 2016 and to secure appropriate opportunities, powers, resources and risk management to support local prosperity, economic growth, regeneration and investment. This is subject to Government policy and resource decisions, especially those to be pursued through the Spending Review 2015. This remains an open-ended process with political and senior management involvement from CBMDC with attention on powers and resources to achieve outcomes and the related governance arrangements to support democratic and civic interests. This remains a continuing challenge in 2016-17 for CBMDC given refinements to WYCA governance and operations, further Government policy change and subnational devolution developments.</p>	<p>Yorkshire, Leeds City Region and regional Leaders are involved in scoping and shaping this. Matters of geography, executive leadership, powers and resources as well as the direct and democratic involvement of local government and local people in the potential arrangements remain under negotiation.</p> <p>HM Government remain committed to a mayoral model for large cities and for clear accountability and delivery. Combined Authorities also remain the favoured organisation for financial management and control of sub-national public funding for key aspects of regeneration and transport.</p> <p>Rail North and Transport for the North (TfN) have both developed over the last 12 months, the latter moving towards full public body status. Local Transport Authorities, LEPs and Combined Authorities from the whole of the North of England are acting collectively as TfN to work with Government, Highways England, HS2 Ltd and Network Rail on the Transport Strategy for the North. The Plan is to be completed by March 2017.</p> <p>Other matters of Public Sector reform, including Health and Social Care, Community Safety and Policing, Skills and Employment are being taken forward by the Government on a case-by-case basis at present. These may feature in any subsequent devolution agreement and as the other areas taking forward decentralisation and devolution become models of reform.</p>
<p>Implications of the EU Referendum Result</p>	<p>n/a – new challenge</p>	<p>A team of Council officers is providing an on-going focus on the opportunities and risks associated with the UK's decision to leave the European Union. The areas of focus are around the economy, infrastructure and housing, EU funding and governance, the labour market, council finances and community relations. Regular updates as the situation evolves are being provided to CMT and the</p>

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		<p>Council’s Executive. At present there is a lack of clarity from government on the details of a future trade deal, the migration rights of EU citizens, and replacements for existing funding streams; many of the longer term consequences of leaving the EU are therefore not known at this stage. Council officers are continuing to manage and mitigate risk, make the most of new opportunities by gathering local intelligence and identifying key activity. This approach was approved by Council’s Executive on 20.09.16 and taken through Corporate Overview and Scrutiny on 06.10.16 for review. A further update report will be taken to Corporate Overview and Scrutiny within 2 months of Article 50 of the Lisbon Treaty being triggered. That is anticipated to take place by the end of March 2017, and will start a 2 year process of transition out of the EU.</p>

Report of the Strategic Director, Corporate Services to the meeting of the Governance and Audit Committee to be held on 24 January 2017

Z**Subject:****Appointment Process for the Councils External Auditors for 2018/19****Summary statement:**

This report explains to the Governance and Audit Committee (GAC) the options available for the appointment of the Council's external auditor from the 1st April 2018. There are three options that the Council could adopt. Whilst this is a decision for Council, the GAC has a key role in respect of managing the relationship with the Council's external auditors. This report presents the GAC with the advantages and disadvantages of each option and the opportunity to make a recommendation to Council of the GAC's preferred option.

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Portfolio:**Corporate****Improvement Area:****Corporate**

1. Summary

- 1.1 This report explains to the Governance and Audit Committee (GAC) the options available for the appointment of the Council's external auditor from the 1st April 2018. There are three options that the Council could adopt. Whilst this is a decision for Council, the GAC has a key role in respect of managing the relationship with the Council's external auditors. This report presents the GAC with the advantages and disadvantages of each option and the opportunity to make a recommendation to Council of the GAC's preferred option.

2. Background and Process

- 2.1 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.
- 2.2 The Council's current external auditor is Mazars, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the LGA with delegated authority from the Secretary of State CLG.
- 2.3 When the current transitional arrangements come to an end on 31 March 2018 the Council will be able to move to a local appointment of the auditor. There are a number of routes by which this can be achieved, each with varying risks and opportunities. Current fees are based on discounted rates offered by the firms in return for substantial market share. When the contracts were last negotiated nationally by the Audit Commission they covered NHS and local government bodies and offered maximum economies of scale.
- 2.4 The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all accounting firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council. The registration process has not yet commenced and so the number of firms is not known but it is reasonable to expect that the list of eligible firms may include the top 10 or 12 firms in the country, including our current auditor. It is unlikely that small local independent firms will meet the eligibility criteria.
- 2.5 On the 27th October the Council received a letter from the Public Sector Audit Appointments Company (PSAA). They are the national company set up to provide a national appointments process for External Audit. If Bradford Council wanted to use this service the PSAA would require formal acceptance by the 9th March 2017

3. Option Appraisal

3.1 The Council has until December 2017 to appoint its external auditors. Thus decisions need to be taken with regards to which process is to be followed very shortly. There are three broad options open to the Council under the Local Audit and Accountability Act 2014 (the Act):

Option 1 To make a stand-alone appointment

Option 2 Set up a Joint Auditor Panel/local joint procurement arrangements

Option 3 Opt-in to a sector led body

3.2 **Option 1:** In order to make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the panel must be wholly or a majority of independent members. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. The new independent auditor panel established by the Council would be responsible for selecting the auditor.

Advantages/benefit

Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have local input to the decision.

Disadvantages/risks

Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus on going expenses and allowances.

The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.

The assessment of bids and the decision to award contracts will be taken by independent appointees and not solely by elected members.

3.3 **Option 2:** The Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council needs to liaise with other local authorities to assess the appetite for such an arrangement.

Advantages/benefits

The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.

There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

Disadvantages/risks

The decision making body will be further removed from local input, with potentially no input from elected members where a wholly independent auditor panel is used or

possibly one involving only one elected member representing each Council, depending on the constitution agreed with the other bodies involved.

The choice of auditor could be complicated where individual Councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for the Council. Where this occurs some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

There is already some indication that Councils in Yorkshire are moving to Option 3 which would limit the prospects of a regional procurement process

- 3.4 **Option 3:** In response to the consultation on the new arrangement the LGA successfully lobbied for Councils to be able to 'opt-in' to a Sector Led Body (SLB) appointed by the Secretary of State under the Act. This resulted in the creation of the PSAA which has the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.

Advantages/benefits

The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities.

By offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation. Any conflicts at individual authorities would be managed by the SLB who would have a number of contracted firms to call upon.

The appointment process would not be ceded to locally appointed independent members, instead a separate body set up to act in the collective interests of the 'opt-in' authorities appoints.

Disadvantages/risks

Individual elected members will have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups.

In order for the PSAA to be viable and to be placed in the strongest possible negotiating position the PSAA will need Councils to indicate their intention to opt-in before final contract prices are known.

4. **Financial and resources appraisal**

The external audit fee for 2015/16 is £185,317 plus the certification of a grant claim £16,520 which totals £201,837. In addition to this work, a separate procurement of audit services will need to take place for the certification of the Council's Housing Benefit subsidy claims. This can be the same auditor appointed for the opinion work or another firm. Current external fees levels may increase when the current contracts

end in 2018. The cost for the West Yorkshire Pension Fund external audit is £48,545.

The cost of establishing a local or joint Auditor Panel outlined in options 1 and 2 above will need to be estimated and included in the Council's budget for 2017/18. This will include the cost of recruiting independent appointees (members), servicing the Panel, running a bidding and tender evaluation process, letting a contract and paying members fees and allowances. Opting-in to the PSAA provides maximum opportunity to limit the extent of any increases by entering into a large scale collective procurement arrangement and would remove the costs of establishing an auditor panel.

5. Risk Management

External Audit are an important element of the Council's governance arrangements which includes the implementation of effective risk management processes.

6. Legal appraisal

Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements;

Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.

Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.

7.1 Equal Rights

There are no equal right implications

7.2 Greenhouse Gas Emission Impacts

There are no impacts on Gas Emissions.

7.3 Sustainability Implications

There are no sustainability implications

7.4 Community Safety Implications Page 35

There are no community safety implications

7.5 Human Rights Act

There are no specific implications in relation to the Human Rights Act

7.6. Trade Union

There are no specific implications for the Trade Unions arising from the report.

7.7 Ward Implications

There are no specific or individual ward implications.

8. Not for publication documents

None.

9. Recommendation

- 9.1 That the Governance and Audit Committee recommends its favoured option to the February meeting of Council for their consideration as to the appointment process for the Councils external audit from 2018/19.

10. Appendices

- 10.1 None

11. Background documents

Local Audit and Accountability Act 2014
Letter from the PSAA 27th October 2016
Local Audit (Auditor Panel) Regulations 2014
Local Audit (Appointing Person) Regulations 2015
LGA website 'Preparations for new appointment arrangements'