

Report of the Director of Finance to the meeting of the Governance and Audit Committee on 27th June 2017

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Subject: Annual Governance Statement 2016-17

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 2016-17 to accompany the Council's Statement of Accounts.

**Stuart McKinnon-Evans
Strategic Director – Corporate
Services**

Report Contact: Mark St.Romaine
Phone: (01274) 432888
E-mail: stuart.mckinnon-evans@bradford.gov.uk

Portfolio:

Corporate

Overview and Scrutiny Area:

Corporate



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 2016-17 to accompany the Council's Statement of Accounts.

2.0 Background

2.1 In order to meet the statutory requirements set out in the Accounts and Audit Regulations 2015 the Council must prepare an annual governance statement which must be approved either by a committee or by members of the authority meeting as a whole. In Bradford the Annual Governance Statement is approved by the Governance and Audit Committee in accordance with the guidance contained in the CIPFA/Solace framework 'Delivering Good Governance in Local Government'.

2.2 CIPFA/SOLACE issued a revised framework and guidance in April 2016 for the assessment of governance arrangements. The new guidance is applicable to annual governance statements prepared for the financial year 2016/17.

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 includes an annual review of the Council's internal control environment.

2.5 The Annual Governance Statement is not 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 continuing 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 Strategic Director – Corporate Services 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 Committees 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 provides 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 2016-17

- 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 whether they are 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.

5. 2016-17 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 2017/18, a number of which have been identified in the forward plans and work objectives of the respective committees
- 6.2 There are three new areas for further review in 2017/18
 - Compliance levels with the Council's procurement rules
 - The organisational capacity to maintain the Council's core management systems including risk management.

- Properly handling objections to the implementation of decisions.

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 2017.

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 put 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', revised in 2016, defines proper practices for the production of a governance statement that meets the requirements of the Accounts and Audit Regulations 2015. The annual governance statement presented in Appendix 1 follows the revised framework and guidance. However, the new framework has not yet been formally incorporated into the Council's Code of Corporate Governance.

The Annual Governance Statement must be signed by the Chief Executive and a leading member.

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 2016-17.

14.0 Appendix 1: Annual Governance Statement 2016-17

15.0 Background documents

Accounts and Audit Regulations 2015

CIPFA/Solace Delivering Good Governance in Local Government Framework 2016

Statement of Accounts

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

ANNUAL GOVERNANCE STATEMENT 2016-17

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 2017 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's governance structure will be based on the seven core principles of the new CIPFA/SOLACE framework "Delivering Good Governance in Local Government" –

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

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 Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Behaving with integrity

- The Council fosters a culture of behaviour based on shared values, ethical principles and good conduct.
- The Council is committed to maintaining its values and integrity. It has a whistle blowing policy embodied in the Confidential Reporting Code for Employees which can be accessed on the Council's web site.

Demonstrating strong commitment to ethical values

- The Council has approved a Code of Conduct for Elected Members and a procedure for dealing with complaints.
- 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
- Employees are expected to comply with the Council's Code of Conduct for Employees.

Respecting the rule of law

- 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 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 s151 Officer.

2.4 Ensuring openness and comprehensive stakeholder engagement.

Openness

- 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 Annual Statement of Accounts provides a report on the Council's financial activities for the year.
- Financial information, including details of efficiency savings, is reported regularly during the year.
- 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.

Engaging comprehensively with institutional stakeholders

- 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 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

Engaging with individual citizens and service users effectively

- An extensive programme of consultation on the annual budget generated considerable engagement and input into the establishment of the Council's budget priorities. The consultation raised 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.
- Bradford Council's Citizen Panel was launched in November 2016. The panel consists of approximately 1800 Bradford citizens who fit the demographic profile of the district. Panel members have agreed to complete up to 10 surveys a year that will be electronically distributed through the Council's Snap survey system. The surveys will be designed to capture information on a whole range of different issues that the Council wishes to engage on and the outcome will help to shape local services. The panel has been set up to give people the chance to tell us about the area that they live in, what they think of the services we provide and whether they think we are doing a good job. It will also help us to find out what people think of lots of different projects, strategies and other things that we have planned.
- Publications, media, including social media, the Council's website, App and other publicity arrangements provide communication channels with the district's citizens.
- The Council's website and App provide a communication and wide ranging information link.
- Centres provide easy access to Council services and information.

2.6 Defining outcomes in terms of sustainable economic, social, and environmental benefits

Defining outcomes

- The District Plan has been developed with key partners and partnerships, and builds on the BDP governance review, giving a clear responsibility for each outcome to a specific strategic partnership. The development of the plan also involved overview and scrutiny committee and area committee input.

- The final District Plan was agreed by Bradford District Partnership Board on 22 April 2016. Building on the outcomes and principles established via the Council's New Deal approach it sets out a clear vision and agreed actions over the next four years to 2020.
- A plan for communicating and engaging around the key messages of the plan, and promoting its delivery has been developed after Executive and Full Council sign off in June and July 2016.
- A Council Plan was approved in October 2016 which identifies how the Council will deliver the commitments established in the District Plan.
- A review of Bradford District Partnership arrangements established a clear lead partnership for each of the agreed outcomes that form the Council and District's vision. Each partnership is responsible for a "chapter" of the District Plan.

Sustainable economic, social, and environmental benefits

- The Council is committed to considering the combined economic, social and environmental implications of its decisions through robust data analysis and consultation with affected parties so that its decisions promote the achievement of its vision for the district.
- Reports requiring decisions from Council, Executive and other committees must include a resources appraisal and reference, where applicable, to equality, sustainability and community safety implications.

2.6 Determining the interventions necessary to optimise the achievement of the intended outcomes

Determining interventions

- Decision makers receive accurate, relevant and timely intelligence and performance information to support them with objective and rigorous analysis of options covering intended outcomes, financial impact and associated risks.
- The Council is committed to seeking continuous feedback from citizens and service users in planning changes to service delivery.

Planning interventions

- The Council plans its activity at a strategic level through its budget and business planning cycle. It does so in consultation with internal and external stakeholders.

Optimising achievement of intended outcomes

- The Medium Term Financial Strategy forms part of the Council's planning and performance framework, and provides the context for the more detailed budgeting process.
- The MTFS is refreshed each year, to give a rolling three-year assessment of the fiscal environment, after the close of the previous year, and before the budgeting round commences.
- It sets out key messages for efficient and effective management of the available resources. It aims to provide citizens and stakeholders with an insight into the financial environment the Council operates in.

2.7 Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Developing the entity's capacity

- The Council monitors its governance and staffing structures to support the delivery of planned services.
- Through its budget process the Council ensures that services are prioritised to ensure that resources are directed to those activities that will make the greatest contribution to its vision for the district.
- The Council explores alternative delivery methods such as the establishment of partnerships or other types of collaborative working where it would lead to improved value for money.

Developing the capability of the entity's leadership and other individuals.

- 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.
- Role Profiles for all senior officers detail their key responsibilities

- 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 workforce development programme provides a focus on effective workforce planning and development, embracing leadership and skills training for all staff.
- During the year a series of management conferences ensured that the Council's senior and middle leadership cadres considered the key challenges ahead.

2.8 Managing risks and performance through robust internal control and strong public financial management

Managing risk

- 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 should be regularly maintained, reviewed and updated. In 2016-17 further work on risk management was required to establish the appropriate reporting structure.
- Risk management training is standard within project management and at particular key stages of project implementation.
- 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 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 processes that set out the Council's approach to business continuity management.

Managing performance

- 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.

Robust internal control

- 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.

Managing data

- 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)
- The Council underwent a voluntary audit by the ICO on the procedures supporting subject access requests, training and development and data sharing agreements

Strong public financial management

- 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"
- The Council has effective, robust, financial control governance in place which ensures that budget holders have clear financial accountability, are supported by professional finance advisors, and provided with financial information to plan and control spending, all underpinned to effective financial systems. These arrangements include well-established financial regulations and standing orders. Elected members are appropriately involved in financial governance. In addition, project management disciplines are applied to the planning, monitoring and implementation of each individual budget saving approved by the annual Budget Council. This provides a mechanism by which risks of failure to implement changes and/or deliver savings can be identified and mitigated early in the financial year. These arrangements have ensured that the Council has delivered its annual budget target in the very challenging financial climate of austerity.

2.9 Implementing good practices in transparency, reporting, and audit to deliver effective accountability**Implementing good practices in transparency**

- The Council is committed to publishing information, including reports, in a manner which is accessible to citizens and other stakeholders.
- Information is produced in an open and understandable style appropriate to the intended users and method of communication, including web-based and social media.

Implementing good practices in reporting

- The Council seeks to demonstrate to its stakeholders that it has delivered on its commitments and goals and has used public resources effectively in doing so.
- The Finance and Performance Outturn report provides a detailed commentary on the financial and service performance of all Council services.
- The Council has a legal responsibility to conduct, at least annually, a review of the effectiveness of its governance framework including its system of internal control and report the findings in an Annual Governance Report.

Assurance and effective accountability

- 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.
- The Council has 5 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.
- Bradford District Partnership board are currently considering how they ensure greater accountability from the partnerships to the Board, via regular reporting on progress at future Board meetings.

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 by 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 2015/16 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 24th January 2017. The following sections give a brief update on these risks. Whilst some of these risks have been mitigated during the 2016/17 financial year a number of risks are continuing to be monitored and remain high profile in 2017/18.

5. Governance challenges previously recognised which require continuing review in 2017/18

5.1 Safeguarding Vulnerable Children

A permanent manager has now been recruited to the Safeguarding Children Board and a new board sub group structure put in place that is more fit for purpose moving forward. Robust arrangements at the front door have been reviewed through Joint Area Inspection and found to be good. Progress on CSE has been subject to extensive public and political scrutiny. However a large and growing youth population and rising numbers of vulnerable young people coming into the system, including from outside of the area, mean that safeguarding children remains a challenge

5.2 Establishing sound governance structures pertaining to the West Yorkshire Combined Authority ensuring democratic accountability at the local level.

WYCA continues to develop through its Corporate Plan, governance, investments and core activities. Further governance and organisational changes are expected to be brought forward and adopted at the WYCA AGM 29th June 2017. These include those instructed by Government and legislation and additional matters including strengthening the working arrangements of the Local Enterprise Partnership, business involvement and Combined Authority governance and business management. Member involvement is through key nomination and appointment processes, confirmed at the Council's AGM. Members are also kept informed through WYCA and Council core communications and business activities. O&S & Governance and Audit updates are being put in place for 2017-18.

5.3 Impact on governance structures arising from developing policies for the delivery of regional devolution.

Mayoral Combined Authorities came into being following the Mayoral Elections on 4th May 2017. These will bring changes to local government and sub-national governance in the six areas (Greater Manchester, Liverpool City Region, West Midlands, Tees Valley, West of England and Cambridgeshire and Peterborough) alongside existing London arrangements. Bradford Council in cooperation with WY and Leeds City region remain in negotiation with Government on devolution and further powers and resources for place-based prosperity. DCLG have signalled they wish to see agreement reached by the end of 2017. Ensuring the effective voice and profile for Bradford Council, District and the City Region remains a priority, with specific ambitions and concerns to progress. This will also be shaped by the General election, the nature of the new Government and their policy/resource choices in urban and sub-national matters.

5.4 Ensuring an effective, integrated system of health and social care

Accountable Care Boards have been established to govern the development of the two Accountable Care Systems across Bradford District. The Health and Wellbeing Board will oversee the implementation of the Bradford Sustainability and Transformation Plan.

In Bradford it has been agreed that the Council will lead a feasibility study into the legal options for the legal entity to form the Accountable Care System.

Discussions are still ongoing regarding the form in the Airedale, Wharfedale and Craven area.

Providers of services, which include the Council are working together within an agreed memorandum of understanding in Bradford.

5.5 Implications of the European Union referendum

Although Article 50 has now been triggered, the likely terms of the UK's exit deal with the EU are not known. Therefore there is still uncertainty and lack of clarity on future arrangements in respect of trade, migration/movement of citizens, and replacement funding streams. Clarity on the UK's negotiating position is further complicated by the snap General Election held in June 2017. We have ensured that Bradford's Brexit concerns have been heard through different channels in order to support effective lobbying, including at a City Region level, via the LGA and also through the Key Cities network. Officers across the organisation are continuing to monitor risks and opportunities as things develop and we have

a continuing dialogue with external partners to understand wider impacts. A report will be taken to Corporate Overview and Scrutiny at such a time when detail on Bradford impacts and opportunities are more developed, as negotiations progress.

6. 2017/18 Governance Challenges

The risks detailed below will be reviewed through the 2017/18 financial year and progress against them will be reported to the Governance and Audit Committee.

- 6.1 A number of procurement issues occurred through the year which had to be investigated and the impact of them assessed. In 2017/18 further work will be required to assess levels of compliance across the Council and where necessary to implement improvements.
- 6.2 Over the past 12 months the Council has found it increasingly difficult to resource and update some of the Council's management systems such as risk, procurement, income and health and safety. This has resulted in information becoming out of date and weakening management controls. It is also the case that other systems may be vulnerable due to capacity pressures. This needs to be reviewed to ensure that the Council's management systems continue to be effective and able to support an organisation as large and as complex as Bradford Council.
- 6.3 Objections, resistance and disagreement to the implementation of decisions that have already been taken, typically through the budget process, have had to be handled properly. There have been examples of individuals and/or their representatives, and firms or organisations, on occasion acting in concert, raising objections, both informally and formally, to the implementation of decisions, which causes delay and uncertainty.

7. 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 2017.

8. 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 Susan Hinchcliffe, Leader of Council

Signed:

Kersten England, Chief Executive