

**Report of the Director of Finance to the meeting of the Governance and Audit Committee on Thursday 20<sup>th</sup> August 2020**

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**Subject: Annual Governance Statement 2019-2020**

**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 2019-20 to accompany the Council's Statement of Accounts.

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**Portfolio:**

**Corporate**

**Overview and Scrutiny Area:**

**Corporate**



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## **1.0 Summary**

1.1 This report sets out the requirement to conduct the annual review of the effectiveness of the Council's governance framework and system of internal control. It reports the conclusions of that review and produces the Annual Governance Statement for 2019-20 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 2019/20.

2.3 The Statement must be approved by Members and signed by the Chief Executive and a Leading Member (in CBMDC that has been the Leader).

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 Director of Finance as S151 Officer. In conducting the review, reliance is placed upon six main sources of evidence:-

- The Constitution of the Council

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- 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.

- 3.3 On the 12<sup>th</sup> December 2017, the Council agreed a revised Code of Corporate Governance to incorporate new guidance from CIPFA and SOLACE. An exercise took place in 2018 on how the Council complied with its new code and any assurances that can evidence this position. This exercise was updated in April 2019. Due to the Covid Crises it was not possible to update the position in 2020 however a comprehensive review will take place in the 2020-21 financial year that includes an audit of the emergency arrangements that operated in the first quarter. It should be noted that the 2018 and 2019 reviews demonstrated high levels of compliance.

#### **4.0 Conclusion of the Annual Review for 2019-20**

- 4.1 The outcome of the review of effectiveness provided the necessary assurance and no significant issues were identified, with the exception of the need to continue to improve Children's Safeguarding services.
- 4.2 The overall governance arrangements are represented by the Constitution of the Council, associated detailed procedures and codes of practice which are reviewed annually 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 undertakes 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.

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4.6 The Council adopts a process of risk management and departmental and corporate risk registers are maintained.

## **5. Specific Governance Issues**

5.1 The GDPR governance challenge previously recognised by the Council was progressed during 2019/20 so that future monitoring through the AGS is no longer required.

5.2 There are two governance issues concerning the Ofsted review and the integration of health and social care systems which were highlighted in 2019/20 and will continue to be monitored in 2020/21.

5.3 The Council's response to the COVID crises remains core to the Council's approach to governance and will be monitored through the 2020/21 financial year.

## **6.0 Arrangements with the West Yorkshire Pension Fund**

6.1 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 2020.

## **7.0 Financial and Resources appraisal**

7.1 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.

## **8.0 Risk Management and Governance Issues**

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

## **9.0 Legal Appraisal**

9.1 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

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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. The Annual Governance Statement also identifies the emergency arrangements that were established in March 2020 to deal with the Covid crisis.

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

## **10.0 Other Implications**

### **10.1 Equality and Diversity**

The Council continues to do important work to enable inclusion for its service-users and the community. Whilst support to the community is innovative, the Council also needs to focus on developing an internal culture that mirrors its external strategy. The Council will start mapping out its actions that are consistent with its long-standing equality and diversity commitments and keep staff informed of future developments

### **10.2 Sustainability Implications**

There are no direct sustainability implications

### **10.3 Greenhouse Gas Emissions Impacts**

None

### **10.4 Community Safety Implications**

There are no direct community safety implications

### **10.5 Human Rights Act**

There are no direct human rights implications.

### **10.6 Trade Union**

There are no direct trade union implications

### **10.7 Ward Implications**

None

### **10.8 Implications for Corporate Parenting**

None

### **10.9 Issues Arising from Privacy Impact Assessment**

None

### **11.0 Not for publication documents –**

None

## **12.0 Recommendations**

12.1 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 2019-2020.

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**13.0 Appendix 1: Annual Governance Statement 2019-20**

**14.0 Background documents**

Accounts and Audit Regulations 2015

CIPFA/Solace Delivering Good Governance in Local Government Framework 2016  
Statement of Accounts

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**DRAFT ANNUAL GOVERNANCE STATEMENT 2019-20****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 2020 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 consist of the following key elements:

**2.1 Code of Corporate Governance.**

The Council's Code of Corporate Governance adopts the seven core principles of the 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

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- 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 Covid Emergency Arrangements

As reported to the 24 March meeting of Executive in order to ensure an appropriate response to the Covid crisis, a new temporary command structure was established in order to oversee decision making and to shape and respond to key issues across Council services and across the Bradford District:

**West Yorkshire Local Resilience Forum** met daily to undertake regional coordination of actions and arrangements across partners including the Emergency Services, Local Authorities, Government agencies, utilities, rail industry and voluntary sector. It included working with military planners.

**District Gold Command** was a multi-agency body of senior leaders that was chaired by the Council's Chief Executive. It met weekly to undertake Bradford District wide coordination and information sharing. Following the conclusion of the initial emergency response phase on July 2020 the District Command Structure was stepped down. However the need for a coordinated approach to recovery remained and partnership arrangements were refreshed to take on this responsibility. The **Public Service Executive** is a multi-agency body of senior leaders, chaired by the Council's Chief Executive. Its function is to oversee the implementation of the next phase of the Bradford District Recovery Plan; to enable chief executives to make rapid tactical decisions and coordinate actions; and to support the Wellbeing Board to develop the next District Plan.

**Council Gold Command** was comprised of the Council's senior management team. It met twice a day on most days and set overall policy & strategy for dealing with Covid 19. Council Gold was responsible for decision-making and the release of resources and the coordination of risks and issues. It informed regional and national bodies as appropriate of the situation on the ground and its members liaised closely with the Council's political leadership.

**District Silver Command** was a multi-agency body meeting twice weekly to support District wide activity and sharing of intelligence. It is chaired by the Council's Strategic Director for Place.

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**Council Silver Command** met twice a week and was responsible for tactical management of the incident, including operational overview and identification. It is responsible for bringing important decisions and issues to Council Gold command and for ensuring that Gold strategy is followed.

**Bronze** was a multi-agency approach to resolving operational issues relating to each priority theme, identification of decisions for agreement at Silver or to Gold for awareness and the implementation of decisions.

Arrangements were put in place to ensure that the Council's political leadership were involved in significant decisions, kept informed of emerging issues, could share information and intelligence and was supported to undertake effective political management of sensitive issues. The Leader of Council met daily with the Chief Executive and the Strategic Director, Corporate Resources, to review decisions and their implementation, update on issues and share information. Portfolio holders were involved as far as possible in decisions in their areas of responsibility and kept briefed and updated in this fast moving situation.

The Council's Executive meets weekly with its management team to discuss the situation. The Executive met informally every other day to discuss progress. All Councillors received regular written updates. A number of Council meetings were cancelled as the Council, like many others across the country and the region, sought to identify a technical solution that enabled meetings to be held remotely in ways that meet legal requirements and support full public participation.

Protocols for remote meetings and key meetings of the Council have now been developed. The 24 March meeting of Executive was held remotely via teleconference. The Executive approved the recommendations as set out to be enacted by the Chief Executive under delegated powers contained in Article 14.20 of the Constitution

### **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.

In December 2017, the Council agreed a revised Code of Corporate Governance to incorporate new guidance from CIPFA and SOLACE. An exercise took place in 2018 and repeated in 2019, on how the Council complied with its new code and any assurances that can evidence this position. Due to the Covid Crises it was not possible to update the position in 2020. A comprehensive review of the Council's Governance Assurance processes will take place in the 2020-21 financial year that includes an audit of the emergency arrangements that operated in the first quarter.

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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 provided 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. Whilst a number of operational control issues have been identified the overall Internal Audit Annual Opinion is unqualified.

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 disclosing information security risks and incidents, and to ensure it discharges fully its duties under the Data Protection Act 2019.

The outcome of the review of effectiveness provided the necessary assurance and no significant issues were identified, with the exception of the need to continue to improve Children's Safeguarding services.

#### **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 2018/19 Annual Governance Statement a number of specific risks were identified that have been monitored through the year. Progress on these was reported to the Governance and Audit Committee in a detailed public report on the 23rd January 2020. The following sections give an update on these risks. Whilst one of these risks was mitigated during the 2019/20 financial year, two risks are continuing to be monitored and remain high profile in 2019/20.

The Council's response to the COVID crises remains core to the Council's approach to governance and will be monitored through the 2020/21 financial year

#### **5. Governance challenges previously recognised for which monitoring arrangements and adaptations of the governance framework are now complete.**

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## 5.1 General Data Protection Regulations.

The Council's Information Assurance, Management and Governance framework has been refreshed and an action plan/work programme developed to allow for continued and regular monitoring of GDPR compliance through the Council's Information Asset Owners (Directors and Assistant Directors). An Internal Audit has been undertaken, Council wide, and any recommendations to improve GDPR compliance will be added to the action plan/work programme.

## 6. Governance challenges previously recognised which require continuing review in 2020/21

### 6.1 Safeguarding Vulnerable Children

The latest OFSTED Monitoring visit took place in February 2020 with a future monitoring visit waiting to be arranged. The Council's response to meet the improvements required is the establishment of the four Programmes below,

Prevention and Early Help  
Social Work Practice  
Leadership and Management  
Children in Care / Leaving Care

High focus areas are to:

- Improve standards and performance of Social Work practice working with children and families known to Children's Social Care (CSC)
- Establish and maintain a stable, funded and demand led CSC structure which supports the needs of children, increases the number of permanent staff and reduces the reliance on agency workers over time
- Support partners to increase the number of lead practitioners and through Early Help to support children with multiple or complex needs; thereby reducing the demand on CSC
- Safely reduce the number of children in care by returning home or securing permanence
- Improve the quality and sufficiency of placements for children in care which support their holistic needs; while reducing Out of Area places
- Improve the quality and use of data and intelligence to support decision making, direct practice and target provision across the children's system
- Improve the functionality of case management systems to support effective practice and budget management.

### Highlights this period and areas for practice improvement over the coming months

- The practice standards have been signed off and distribution and is being supported by a programme of training and learning
- Permanence tracker has been developed from scratch and is actively being populated
- Performance against key indicators is on an upward trajectory
- All Social Work documents have been re-written and are now compliant with statutory requirements. These are with ICT colleagues.

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- The Early Help Module is in the final stages of testing – once this is live, we will finally address the long standing issue of high volumes of no further action cases at the front door
  - Supervision policy is now in draft and being consulted on
  - Fostering allowance policy has been drafted and legal advice sought. Further work required and financial implications to be presented to Departmental Management Team.
  - Planning for the next Ofsted monitoring visit well underway
  - Progress in the Integrated Front Door is moving at pace.
  - A new challenge and resolution process has been implemented for child protection coordinators and for the Independent Reviewing Officers to ensure avoidance of drift and delay

## **6.2 Ensuring an effective, integrated system of health and social care**

The Strategic Partnering Agreement has been in place since Spring 2019, which sets out the wider Governance framework for policy direction and decision making across the partnership. The governance and implementation arrangements around this continue to evolve.

Work to review and refresh the Section 75 agreement commenced in 2019 and will be resumed following a pause during the Covid emergency. A contract variation to cover the Covid-19 hospital discharge planning guidance is being completed through a standalone partnership board. Governance for this scheme will be provided by the Partnership Board, which will provide financial and commissioning oversight of Covid-19 related activity and expenditure under the scheme.

The System governance and programmes have been reviewed and new arrangements are in place, including the new health and care system Executive Board which replaces the ICB. The Board has also set up new sub committees which cover system Quality & Safety and Finance and Performance related issues.

The review of the Health and Wellbeing Board has been completed, which has resulted in the new Wellbeing Board. The new Board includes Chairs of each of the key strategic partnerships such as the Economic Partnership and the Childrens Trust. Work is underway to refresh the District Plan and the infrastructure to support the delivery of partnership activity. One of the initial priorities for the group will be on addressing inequalities.

## **7. New 2020/21 Governance Challenges**

In response to the Covid crises the Council is now required to consider the leadership, plans and actions that will be required over the medium and long term as it seeks to lay the foundations for a better future through

- Promoting equality and social justice and promoting an inclusive and connected economy.
- Early Help and prevention supporting the empowerment of individuals, families and communities.
- Working to become a child friendly city.
- Sustainable and inclusive development and use of resources.

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Decision making will be informed by what is already known of the District, its challenges and significant asset base, the known impact of Covid 19, and what can be reasonably assumed about the future. This will also include the opportunities afforded through regional devolution and by the need to deliver inclusive and sustainable economic growth to which everyone can contribute and from which everyone can benefit.

In respect of risk management and governance, the situation continues to change and is characterised by a very high degree of uncertainty about impact on services and on Council resources. Assessment of risk is being kept under on-going review by senior management and the overarching impact of the crisis on Council responsibilities and service delivery will require the Council's Strategic Risk Register to be reviewed once the impact and the consequences of the crisis are better understood.

Legally, The Coronavirus Act 2020 is the government's main legislative change in response to the pandemic. Most of its provisions came into effect on 25th March 2020, but detailed further legislation in the form of statutory instruments, and government guidance have been issued since that date and continue to be published.

It is too early to understand the full equality and diversity impact of the Covid crisis. The emerging evidence, however is the impact of the Covid virus itself, the measures taken in lockdown and the likely future will all have a disproportionate impact on those with protected characteristics. Therefore, equalities will need to be at the heart of the Council's response and long term work around Covid.

A comprehensive review of the Council's Governance Assurance processes will take place in the 2020-21 financial year that includes an audit of the emergency arrangements that operated in the first quarter.

## **8. West Yorkshire Pension Fund**

The Council is the administering authority for West Yorkshire Pension Fund (WYPF). 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 (LGPS) Regulations 2013 (Regulation 55) and its predecessor, Regulation 31 of the LGPS 2008.

The Governance and Audit Committee has legal and strategic responsibility for WYPF. The Council has established three bodies to assist and support the Governance & Audit Committee oversee WYPF:

- WYPF Investment Advisory Panel and
- WYPF Joint Advisory Group
- WYPF Pension Board

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.

WYPF Joint Advisory Group has overall responsibility for overseeing and monitoring the WYPF's pensions administration function, and for reviewing and responding to

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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.

WYPF Pension Board's role is to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the LGPS including:

- securing compliance with the LGPS regulations and any other legislation relating to governance and administration of the LGPS;
- securing compliance with the requirements imposed in relation to the LGPS by The Pensions Regulator (TPR);
- Any other such matters as the LGPS regulations may specify.

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.

- 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 on 30 July 2020.

**9. Statement**

We are satisfied that an effective system of internal control has been in place throughout the financial year and is on-going. 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**